SOME ASPECTS OF THE ISLAMIC ECONOMY

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PREFACE

The essays included in this volume were written at different dates but all of them deal with some aspect of the Islamic economy. Being a short volume, it neither covers all aspects of the economy nor discusses those covered in an exhaustive manner. Yet I hope the reader will find some additions to the literature on this subject available in English.

Quotations from the Holy Qur'an appear in the English translation only. A reference to the Arabic text is made possible by the indication of chapter (*Surah*) and verse at the end of each quotation. The English version is taken from Pickthall's 'Meaning of the Glorious Qur'an' excepting a few cases. Sources of the traditions from the Prophet *(Sallallahu Alaihi Wasallam)* quoted in English are given on concerned page.

The second and third essays have appeared in the 'Islamic Thought' (Aligarh) in 1956. The fifth essay has also appeared in the same journal recently.

I am grateful to all those friends who have helped me in the formulation of my views on these subjects by their comments and suggestions. I am also thankful to Mr. Iqbal Ahmad Ansari of the Department of English, Aligarh Muslim University, Aligarh, who has gone through the manuscript in its final stages.

I earnestly hope to receive critical comments and suggestions from the scholarly reader.

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INTRODUCTION

Most of the past studies in the economic system of Is-
n suffered from a certain lack of immediate relevance, which
ıow provided by the determination of a number of independ-
t Muslim communities to reorganise their economies along
amic lines, as part of a large ambition to rebuild their socie-
s according to the tenets of Islam. Even in those Muslims
ıo find themselves in a minority in free countries like India,
ɔre is a serious urge to present the economic injunctions of
am to their non-Muslim brethren as part of the larger efforts
persuasion in favour of the Islamic way of life. Ideas are
ll the most potent force in human life, capable of moulding
ɔ course of history, despite the great leap forward in science
d technology. Till such time as the tenets of Islam are actu-
y put into practice and a truly Muslim society emerges to
monstrate the superior virtues of that system to the modern
ın, it is mainly through the written word that we can explain
d advocate it. It is, however, necessary to disabuse the
inds of certain misconceptions, before the ideas that are being
esented could be properly grasped.

Protagonists of Islam's economic system do not seek to
vive the economic *structure* of some past period of history.
ıe modern Islamic economy will be *modern*, utilising the best
ɔhniques of production and methods of organisation avail-
ıle. Its Islamic nature lies in the bases of human relation-
ips, the attitudes and the social policies that constitute a sys-
ın. These matters are not determined by the techniques and
eans employed. The means of production, the sources of
ɔwer and the scientific techniques are capable of serving man
ıder diverse attitudes, norms and values. The Islamic values
ıd the attitudes, they create, are immensely suited for the full-
t utilisation of the means and techniques available to the

modern man. It is in the realm of values that we look back wards standard Islamic periods of our history especially to age of the Prophet and the *Rashidun* caliphs. The Qur'an a confines itself to certain broad principles and values, so far the economic aspect of man's life is concerned. It does i hold any brief for a feudal, capitalistic or socialistic structure society, or for any particular structure for that matter. It giv us clearly defined values that should guide economic policy an Islamic society irrespective of time and place. Some exa ples are: The owner's attitude towards his property; the so ety's obligations towards the needy; the co-operative basis economic relationship; and the strong bias against concent tion of wealth and towards reducing inequalities in the dist bution of income and wealth.

A second point of some significance is that Islan economic system can be properly studied only in the context the Islamic way of life as a whole. There is no such thing the economic system of Islam apart from and independent the Islamic way of life as a whole. We have a corpus of i junctions relating to almost every aspect of man's life, whi naturally includes what we characterise as the economic aspe Life itself is, however, an integrated whole in which the ul mate ends are served by a number of means, spiritual, mor material, economic and political. Take for example, the ul mate value-end of *Ibadat* or *Tawheed*: that man should ov allegiance to the One God in all his thought and actions. A fi realisation to this end is possible only when man has the cc rect world-view free of all spurious beliefs. Moral streng enabling steadfast adherence to the right path in face of tem tations and pressures, and freedom from domination by a authority other than that deriving its sanction from God is al necessary. It also requires that man is not crushed under t strain of such privations as destroys the will, making spiritu and moral independence almost impossible. Instances can multiplied of an economic measure designed primarily to ser a spiritual end; a spiritual trait playing a crucial role in ec nomic affairs and a political procedure serving an econom

purpose, and so on. It is therefore imperative always to keep in view the broad outlines of the Islamic way of life in its totality while studying some specific provisions relating to the economic system.

The above should also satisfy those who feel it necessary to assert that being an eternal message, Islam cannot possibly claim to be offering any 'economic system' as such. That would be true if by 'system' we were always to mean a body of specific rules relating to all aspects of the economy. But an 'economic system' may also denote a set of basic principles having the potentiality of extended application to varying situations. It is in this sense that '*laissez faire*' sums up Nineteenth Century capitalism or social ownership of the means of production epitomises the socialist system. The teachings of Islam are far more detailed and specific than the above-mentioned principles. They are capable of being applied to the modern world, along with the other teachings of Islam, to result in a living system bearing a distinct identity characterised as Islamic.

This inevitably leads us to the third important point we would like to emphasise. And that is the vast scope of *variety in form*. That is quite natural, as a spiritual principle is capable of taking on different forms in different periods of history in different countries. It would be preposterous for any writer suggesting the details of a modern Islamic economy to claim sanctity or finality for his views. Such details are, at best, derived or inferred from certain provisions in the *Qur'an* or the *Sunnah*. Of necessity many parts of any detailed programme are based on expediency, exigencies of the situation, and the insight one thinks one has acquired from the textual provision of the *Shariah*. They tell us how a truly Muslim scholar responds to a challenge thrown by a new situation. Though I have no hesitation in characterising such a programme as Islamic, I would like to emphasise the fact that variety of response is always possible as is also the variety of inference or *ijtehad*. A serious student of the Islamic economy today must brace himself for controversy, even conflict of opinion, on a

number of economic issues. These are the issues arising out of new situations not covered by the textual provisions of the *Qur'an* and the *Sunnah*. Islam cannot be indifferent to these issues in view of their vital significance for human affairs whose conduct Islam seeks to guide and regulate. An example is provided by the prohibition of interest in an age when complexity of monetary and financial relations cannot be avoided. The principle itself is above controversy but the challenge it throws to a student of Islamic economy is capable of evoking varied responses. Shall we reorganise banking on some other basis (as the one suggested in one of the papers included in this volume) or shall we scrap commercial banking and foster new arrangements under the aegis of the State to perform the relevant functions? Contemporary Muslim scholars are divided on this issue. Maybe, a consensus is reached after some discussion; maybe, different (futures) Islamic States adopt different solutions. One cannot afford to be dogmatic on such issues. The same is true of Insurance, Land Reforms, and the relative size and rule of the Public Sector in modern Islamic economy. These issues can hardly be avoided in any serious discussion as how to build an economic system according to Islamic injunctions. To be non-committal would be naive, but to insist that the stand taken by any particular scholar is the only Islamic stand would be going against the spirit of *ijtehad*.

In view of the fact that these issues are being debated for the first time (even though some of them are quite old and ought to have been disposed of much earlier), a climate favourable for creative thinking and free discussion must be created and maintained. Seen from this angle the present state of affairs is far from being desirable. Most people seem to have developed, undoubtedly as a result of the long-established tradition of *taqleed*, a strong prejudice in favour of one particular *ijtehad*. In fact it is one particular scholar they select, subscribing to his opinions on *all* issues. They dub all dissent as un-Islamic, labelling it as socialism or capitalism, revivalism or modernism, orthodoxy or heresy. This can hardly be conducive to the growth of the requisite climate. It is high time we

alised the true nature of opinions expressed on these issues id accepted the possibility of variety of *ijtehad* and, *ipso cto*, of variety of policy in the would-be Islamic State.

Our advocacy of free discussion does not, however, iean a discussion which violates the first principles of Islamic iinking. Unadulterated and firm allegiance to the Qur'an as ie Word of God and the final authority in all the affairs of life, similar loyalty to the authentic *Sunnah* of the Prophet, and a incere desire to find an Islamic solution to all economic prob-:ms are the prerequisites to sound Islamic thinking of these ;sues. Such thinking cannot be free in an ultimated way ig-oring guidance that is available in the *Qur'an* and *Sunnah* or e indifferent to finding one by inference. Here we need not o into the details of what genuine *ijtehad* demands of our iinkers, it would suffice to stress that there are some.

Our last plea to scholars working on some aspects of he Islamic economy is, therefore, to prove equal to the task by iutting in real hard work. We need not stress the obvious that hey are expected fully to understand the issues themselves — he economic situation that obtains and the genesis, nature and nultifarious involvements of the issue under consideration. For thinking to be *Islamic* it must be informed of all that is ivailable on the subject in the *Qur'an*, the *Sunnah* and the re-ated sources. Unfortunately there is dearth of competence :overing both aspects of the knowledge required: the modern ind the Islamic. There are scholars who hardly understand the ssues they pronounce upon, however well versed in Islamic hey might be; and there are others whose understanding of the nodern economy is poorly matched by the scanty second-hand cnowledge they have about Islamic injunctions.

Real competence for the tasks in hand requires sincerity of purpose, a thorough command over the Islamic sources and a deep understanding of the modern society. Till such time as that is available in abundance, the present *sorry* state of affairs can be somewhat improved if the *Ulema* and the Muslim economists and social scientists discuss these issues, across the

conference table and through the press, fully conscious of the limitations and the tentative nature of their findings.

That is where the lay reader comes in. He should a ways remember that Islamic views on a large number of nov issues are in the making, so that he does not entertain a cravin for final solutions. Then he himself must participate in th process. That he can do by using his common sense guided b whatever knowledge he has of the teachings of Islam. For it i the common man who actually faces the problems being dis cussed and it is his desire to live an Islamic life that urges upo the scholars the need of thinking and research. After all, ecc nomic policy is an art of which informed common sense ha always been the best teacher.

In emphasising possible differences of opinion we ar not belittling the need of working towards a consensus as far a possible. Such consensus can, however, only follow and no precede the process mentioned above. Undue haste is alway bad, but in this case it can prove disastrous.

CHAPTER I

SPIRIT OF THE ISLAMIC ECONOMY

1. Economy, as everybody knows, is a part, rather an aspect of culture. Culture is nothing less than life, life as it manifests itself in all its variety and vigour.

The spirit of any culture is the outlook towards life, and the relationships involved therein. It is the way of looking at goods and materials. It is a tendency towards certain ends selected from amongst many; an inclination towards a particular set of means, exclusive of all other alternative. It is the guiding principle of all individual human behaviours. It is the direction towards which the social behaviour pattern is directed. It is the link that connects one behaviour with another, giving to their sum total the oneness that it manifests. It is the odour they emit, the colour they display. Observe the various institutions of any society belonging to any culture, and they will in spite of their variety and apparent dissimilarity, give an indication of some connection, something that adjusts these institutions to one another and makes them fit into the same dynamic mechanism. It is this principle, the only one, that is capable of explaining, broadly of course, the various behaviours and institutions of any particular society.

Now we shall discuss how to apprehend the spirit of any society, what is the method of its study, and where from it emanates.

Life itself is the proper field of this study. The behaviour of any society and its various institutions should be properly studied to discover the link that connects them. Any prin-

ciple which we find out, through this process, must be able explain the various institutions and their peculiar nature.

This is one way of investigating the spirit of any so ety. But what about its genesis?

The answer to the basic questions regarding the natu of life, universe and man determines in many respects essent approach towards life. It makes man look at life in a particul way. It determines his point of view, his angle of vision. Tl answer which goes to constitute man's basic outlook on li has got its own implications.

These implications are very practical and positiv They bear their own demands. They give the mind of sense direction, a scale of values and criterion for preference.

Undoubtedly the environment is there. It is effecti and influential. But one's basic outlook on life acts as a sift valve controlling the passage of these influences. It determin how one is to react to the external stimuli.

We are aware of the loud controversies that cent round this issue — the age-old tussle between idealism a materialism and the claims that it is the conditions of produ tion that determine the outlook of a people. It is not possit for us here to commit ourselves to idealism, or to go into t detailed study of how a people come to have faith in a partic lar outlook. We can safely overlook this issue in this pap For, we are to study a society with a given outlook on life. V are to consider an Islamic society, and to determine the spirit its economy.

Islam has been a living culture. We can take the I lamic History of the golden period and subject it to a realis study. Whatever difficulties we may encounter due to the a tiquity of that period, we shall definitely reach some concl sion; and discover the spirit which permeated the first Islam society. This endeavour will have its value, both academic a practical.

Derived from practical life and lived by men of flesh and blood, born with all sorts of passions and emotions, having all sorts of desires and cravings, this study could exercise a profound and abiding influence upon our practical life.

But the genesis we have traced above offers a new opportunity. We can deduce this spirit from the Islamic outlook on life. Conscientiously undertaken, this process can give us the desired result. For human life, though never in perfect consanguinity with the scheme of behaviour logically derived from the professed ideologies, yet bears close relationship to it in its direction, its trend and its mood. And this is what we are concerned with. Deduction from outlook on life can be safely relied upon as regards the spirit.

But the space at our disposal does not permit us to work out either of the two processes in detail. Here we shall content ourselves with a simple statement of the spirit of Islamic system. We shall state the spirit, and then try to study some of its implications, and to clarify some of the misunderstandings which surround the concept of Islamic economy.

2. We shall start with a brief statement of the Islamic outlook on life and then pass on the spirit it generates in life.[2] The Islamic outlook on life can be stated in these terms:

> "God the Almighty, is the creator and the master of the entire universe including man. Man's span of existence is not merely this worldly life but it extends to eternity. Man though free to choose his attitude and approach in life is nevertheless accountable for his behaviour in the life Hereafter where enduring felicity of unending punishment shall be his share according to his behaviour in this world. It is only a particular pattern of behaviour that is desirable and conducive to success in the life Hereafter. This pattern gives earthly life a balance

[2] A more detailed discussion is contained in the subsequent essay in this volume, namely 'Islam's Approach to the Right of Property'.

and a direction which is incomplete accord with the desire and achievement of material prosperity. This pattern ensures the most prosperous and successful life, for the individual and the society, materially as well as spiritually.

"The essence of this way of life are the basic moral values which are known to human nature. God has been sending special messengers to state, clarify and demonstrate these virtues. The last messenger of God, Muhammad of Arabia *(Sallallahu Alaihi Wasallam)*, has finally handed over the compendium of these virtues to humanity with further details of the desirable pattern of life."

The implication of the above outlook is obvious. Success lies in being virtuous. The more one's behaviour is in accord with moral standards and the higher the level of his goodness, the more successful he is.

Here we must note that the Qur'anic conception of goodness and virtue is not individual in its nature. It exhorts men to be socially good; it aspires not only for a virtuous individual but also for a virtuous society. There are many virtues which can be conceived of only on a social scale. To achieve his own success an individual must strive to make the society good and virtuous. He must co-operate with his fellow beings in the enterprise of being good. He must strive to make other good and virtuous.

Throughout his life, in each and every phase of existence, at every step, the Islamic individual is endeavouring to act in harmony with moral values and to co-operate with others to this same end. This is his main objective. Being made of flesh and blood he has hundred and one need for the fulfilment of which he has to strain himself. He has to enter into many relationships with his fellow beings. He has to work upon the material that is provided by nature in the form of land, rivers, forests and animals and all sorts of minerals, etc. He produces exchanges and consumes innumerable goods and services. In

all these activities, the 'Islamic' way of thinking makes him conform to the limits set by ethics and morality and to try to give these activities the quality that is demanded by virtue and goodness.

This is the spirit of Islamic Culture: Pursuit of goodness and vigorous co-operation in this pursuit, thus aiming at elevation of society to the highest possible level of goodness and virtue.

Now we have to understand this spirit with reference to economy. There points are worthy of attention in this connection:

(i) It is goodness and virtue, which one should aim at, in one's economic behaviour.

(ii) The real and desirable pattern of economic relationship is active co-operation.

(iii) To make possible the collective progress towards goodness and virtue, necessary material provisions must be made available to society at every time.

We shall discuss these points one by one.

3. Man is born with innumerable needs and to strive for their fulfilment is but natural. The more properly these needs are satisfied the better it is. A well-provided life ensures peace of mind, contentment and sense of security. And it is such a state of mind which is favourable to the building of a healthy, moral and spiritual atmosphere. No level of material progress and economic development is in itself antagonistic to moral and spiritual progress. As a matter of fact all such progress, if it is properly achieved and maintained, is an aid to healthy morality and true spirituality.

Islam, therefore, does not restrict efforts at material progress. It regards a certain standard of material provision as an indispensable condition for the evolution of the desirable social pattern. It exhorts the individual to make all efforts at its

achievement. It ordains society to guarantee such provision to each individual in all circumstances.

But there are limits to everything. And life has aspects other than economic which call for devotion and require our energy and time for their proper development. A balanced life necessitates proper allocation of human efforts and resources among all the important aspects of life. Exclusive devotion to economic development may mean the neglect of other vital aspects of human life.

The Islamic individual is always conscious of the fact that a materially prosperous life is not an end in itself, that a high standard of living is no value in itself. Our life-end being success in the life Hereafter; the value of everything is determined by the contribution it makes towards that end. It is virtue and goodness that count. So all efforts to satisfy our material needs can contribute towards this end only if they are properly directed. We can make our economic activities subservient to our life-end if we focus our attention to the higher ends. This attitude is the natural outcome of the Islamic outlook on life which very gracefully gears all our activities to higher moral and spiritual ends, without injuring their natural relationships or their proper setting.

Morality and spirituality do not demand from an enterpriser the abandonment of his ambitions and retirement to some humble pursuit; rather it encourages and further stimulates his ambitions by calling upon him to make his enterprise, besides properly satisfying his own ambitions regarding life and its enjoyments, a means of serving humanity. Thus the statement that it is goodness and virtue which should be the centre of our attention even in our economic activities, does in no way mean asceticism or negation of economic ends. The way of Islamic spiritualism passes directly through the hustle and bustle of practical life. It is nothing separate and cut off from life. It is only a particular 'way' of living. And when we say that goodness and virtue should be our end we merely imply this particular way of living.

The above-mentioned attitude means a check upon the nwarranted flow of what is called 'Economic rationality' in ie capitalist economics. Maximisation of material gains no ıore remains the end of an individual. He is mindful of other ıds, while he is planning to achieve his economic ends. He as to expend his time in the remembrance of Allah, he has to ontribute some of his energies to the propagation of truth and oodness; he has to pay heed to the poor and the needy. He is) assist the weak and help the forsaken.

The Islamic individual is social-minded. The good of ociety cannot be sacrificed for the sake of individual benefit. he individual is therefore mindful of the social costs which is enterprise may involve. He calculates the moral, social, olitical and economic effects of his individual schemes upon ther individuals and upon society as a whole.

His sincerity prepares him gladly to observe any re-traint that the society sets on his enterprising efforts, with a iew to ensuring social security and safeguarding the social ıterest. All this is due to the change of heart that the Islamic utlook on life brings about. It is an inner force in the individ-al which the Islamic spirit engenders. The stronger the hold f the Islamic ideology upon an individual's mind, the higher ıe level of goodness which the society attains.

Let us contrast this attitude of mind with the capitalistic ıentality. There we find the inordinate maximisation of mate-ial gain reigning supreme, unmitigated and unrestrained. The apitalist spirit puts no inner check upon the individual. Logi-ally capitalism implies that even the State should not check his tendency. Individuals should be left alone, making all ef-orts at the maximisation of their own monetary gain, unmind-ul of others, paying no heed to the social costs and to the non-conomic aspects of their enterprise upon the society. This ıentality gives birth to cut-throat competition, immoral and alse advertisements, unjust practices in trade and commerce, ll sorts of cheating and bluff in production and all evils which re rife in the contemporary capitalist society. This means the

brutal sacrifice of all higher values at the altar of individu profit and the rule of might in the arena of economic struggl giving birth to the familiar class warfare and mutual hatred an enmity.

Then the capitalist individual never willingly accep checks and restrains that the society sets on his activities. He always hostile to all such efforts. It is this hostility to ever thing detrimental to his individual interest (which soon deve ops into class interest) that shows him the way to capturing th State to serve his own interest instead of representing the soc ety.

We need not go further in tracing the shortcomings c the mind that capitalism builds. Our aim is to demonstrate th contrast between this mentality and the mind that Islam build It is only in this way that we can see the huge difference that i there between the Islamic economy and the capitalist economy

4. The second important feature of the Islamic spirit is tha it calls upon its people to co-operate with one another. Ecc nomic goods are means to living, while life itself is a means t please God and achieve success in the life here and Hereafte Every Muslim is anxious to achieve this success and help oth ers to attain it. This involves co-operation in each and ever field of life. The entire life becomes a co-operative movemen towards the achievement of a common goal.

This is the spirit of the Islamic economy as well as o the political and social life as envisaged by Islam.

The fact that all men are brethren, implies that the onl proper pattern of their relationship is the pattern of mutual re sponsibility — every individual feeling the responsibility fo the welfare of others besides his own. Being children o Adam, all of them are to live like the members of a family.

Further, there is the weight of direct commandment from Allah, ordaining Muslims to co-operate for the commo good and abstain from self-seeking narrow-mindedness. Co

peration for the good is pronounced to be a high moral value id a means to spiritual uplift of the individual and society.

Thus economic co-operation is a part of the all-out co-peration demanded by Islam. The fact that a certain standard f material provision is a necessary condition for a balanced fe and for the maintenance of a healthy moral and spiritual tmosphere becomes very important in this connection. It be-omes the first and the foremost target for economic co-peration. Co-operation is not a vague doctrine lacking defi-ite meaning. Basic material provision the details of which ary with the age and environment is the minimum that is re-uired forms such co-operation.

Further co-operation gives a new mood to individual nterprise. This new mood is essentially different from the ompetitive mood of capitalist enterprise. It is different in its hilosophy, in its manifestations, and in its results. We shall iscuss all these categories one by one.

We have already noted some characteristics of the apitalist competition. The philosophy upon which this com-etition rests believes that freeplay of economic rationality can nsure proper allocation of economic resources as well as roper distribution of the fruits of productive efforts. It is not nly safely relied upon for the organisation of the productive achinery, but also regarded as the only sound principle to uide productive efforts. Thus atmoistic production or what as been aptly characterised as anarchy in production is upheld n theory in spite of the horrible ill effects it has manifested in ractice.

Islam sets aside all this talk as sheer nonsense. There is o hidden hand to make blind actions fit together to produce deal results. To regard capitalistic competition as the best and he natural form of economic co-operation is ridiculous. There s no evidence or argument to substantiate such a premise. Is-am conceives of co-operation as a conscious effort. Evil re-ults of competition are enough to point out its limitations.

Things are to be judged in the light of their role in practic life.

There is no Divine decree imposing upon us atomist and anarchic production, when it has proved detrimental to th interests of society. Rather, for the achievement of our ec nomic ends, we have perforce to adopt a form of productio that suits the changed technique. The interest of society is t be regarded supreme in all circumstances.

To conceive of some sort of nature philosophy as a co ollary to the religious approach to life is iniquitous, Islam er tertains no such philosophy. It calls for conscious efforts fc the achievement of the desired ends, disturbing wherever nec essary, the state of affairs which has automatically come int being. It calls for redistribution of wealth and establishment c permanent institutions for such redistribution. It never re garded every form of trade, business contracts, land tenure an productive enterprise as valid simply because it automaticall appeared into being and was 'natural'. Rather it subjects eac and every activity to microscopic examination, casting aside a those forms which are hostile to social interest and carry unde sirable effects. On the positive side it exhorts its people t adopt such means as may go to better the economic conditio of the masses and further the good of the society. This ha been the rule followed by our Holy Prophet and his close com panions in their socio-economic legislation, and this is what th learned Jurists of the latter period followed in their valuabl elaboration.

To resume the original discussion, co-operation as con ceived by Islam is a conscious effort and extends to all sphere of life. That it will also touch the organisation of production i beyond any doubt. The changed conditions of production leav no room for unplanned and uncoordinated production. Fol lowing the spirit of Islamic culture, it will be keen desire o each and every individual that nation's economy be planne and geared to the cause of economic development. State an various other institutions will serve the people as media of sucl

co-operations and bring forth the desired planning and co-ordination.

The extent to which this task will have to be taken up by the State is to be determined by the twin factors of economic necessity and the political values of Islam. If the first tends to extend State interference further and further, the second tends to limit such control. The standard of public morality and sense of responsibility has also its penetrating effects upon the quality of popular co-operation and upon the effective application of the various measures undertaken by the State.

Being concerned only with the spirit of the Islamic economy detailed discussions of the State's role in the economy falls beyond the scope of this paper. So we confine ourselves to some general remarks in this connection.

The economic system has got to fit into the general scheme of Islamic life. Islam does not regard its political and social system as merely an accessory to the economic system. There are independent political and social values, and there is only a limited extent up to which one system can adapt itself to the needs of the other. Democracy and individual liberty must be maintained and economic organisation should not be allowed to swallow them up. The institutions of family and private property also embody some inviolable social value. Though Islam does not lay any narrow limit to the boundaries that can be set up the exercise of this right, for the safeguard of collective interest and furtherance of social good, yet it can never allow its complete annihilation.

5. The third point to be emphasised is that Islam recognises the indispensability of provision of the bare necessities of life to all. It lays down the principle of a minimum standard of living ensured by society to each and every individual. This is inevitable in view of the life purpose given to the individual: pursuit of good and virtue. It is impossible for an average person to think of higher values in a life haunted by all sorts of unsatisfied wants and continuous pains of body and mind. So let every one be sure of the bread he requires and clothing and

shelter that he needs. He must receive medical aid, as that is a condition of healthy living, and he is also to be taught the essentials of a good and efficient life.

This legally substantiates the demands of the Islamic spirit.

CHAPTER II

THE QUR'ANIC NORM

The purpose of this paper is to answer three important questions which occur to Islam-loving student of the Social Sciences. They are:

1. What is the norm that Qur'an lays down before us.
2. What are the means and ways that Qur'an suggests for the achievements of this life-end.
3. What are the distinctive features of this end along with the given ways and means, in comparison to the ends and norms generally entertained in the contemporary world.

1

In this section our enquiry centres round the Qur'anic norm for the social sciences. But before that we must emphasise the significance that attaches to the end and the ultimate values in social thinking. It is the end that determines the ways and means we adopt. It is the norm which plays the pilot-star in our choice between alternative processes. It is the values that shape our social institutions. Study of the norms and ends is therefore very essential for the students of social sciences.

Here we must recall two basic characteristics of the Qur'anic concept of life. Firstly, according to Qur'an life does not come to an end at the death of a person. Death is neither a terminus nor a halt. Life is eternal. It continues after the death as well. This fact reflects itself in the finding that the Qur'anic norm does not concern itself with the worldly life only. It concerns itself with the life here and Hereafter, as a whole. There

is no clash between the interests of these two periods of lif All that is really good contributes to the welfare of the two pe riods alike.

Secondly, there is no clash between the interests of th individual and the society. What is really good, is good fc both of them alike, and what is really bad hurts them in a simi lar manner. Individuals are parts of the society while societ exists due to the existence of and for the benefit of its individu als.

According to Qur'an the end of life is *falah* in thi world and in the life Hereafter. Qur'an urges us to direct al our attention towards the achievement of *falah*. All our activi ties whether individual or collective should aim at this goal *falah*[1] should become the end of our thoughts and actions. W should be anxious to do that which ensures *falah* and not to d that which is incompatible with it.

The Qur'an says:

> "O ye who believe! Be mindful of your duty to Allah, and seek the way of approach unto Him, and strive in His way in order that ye may succeed." (V : 35)

> "Say : The evil and good are not alike even though the plenty of evil attract thee. So be mindful of your duty to Allah. O men of understanding, that ye may succeed." (V : 100)

> "And speak not, concerning that which your own tongues qualify (as clean or unclean), the falsehood: 'This is lawful, and this is forbidden', so that ye in-

[1] 'Success', 'Prosperity' or 'Welfare', any of the three words may be used as the English equivalent of *falah*. But the Arabic word itself has got too wide a meaning to be encompassable by its English equivalents. As the famous lexicographer Lane remarks: "There is not in the language of the Arabs any word more comprehensive in its significance of what is good in the present life and in the final state than *al-falah*." (Arabic English Lexicon. Book I: Page 2439). The reader must keep this note before him while he reads the translations of the various lines of the Qur'an given here.

vent a lie against Allah. Lo! Those who invent a lie against Allah will not succeed." (XVI : 116)

"O ye who believe! Devour not usury, doubling and quadrupling (the sum lent). Observe your duty to Allah, that ye may be successful." (III : 130)

"O ye who believer! Strong drink and games of chance and idols and divining arrows are only an infamy of Satan's handwork. Leave it aside in order that ye may succeed. Satan seeketh only to cast among you enmity and hatred." (V : 90-91)

"And when the prayer is ended, then disperse in the land and seek of Allah's bounty, and remember Allah much, that ye may be successful." (LXII : 10)

A study of the above lines brings to light the fact that Qur'an has its own conception of *falah* (success: welfare) for the achievement of which it lays down a definite programme. That Qur'an makes this *falah* the end of all human activities is obvious. The above lines touch upon various aspects of our life: economic, political, social and religious; and tell us what behaviour is conducive to *falah* and what is otherwise. Further, we see that Qur'an conceives of *falah* as a success spread over the whole life, its wordily phase as well as the life Hereafter.

The following verses from Qur'an substantiate our contentions:

"For those who do good in this world there is good (reward) and the home of Hereafter will be better. Pleasant indeed will be the home of those who ward off (evil) —." (XVI : 30)

Muslims have been ordained to pay for the good of this life as well as the Hereafter:

"But of mankind is he who saith, "Our Lord! Give unto us in this world," and he hath no portion in the Hereafter. And of them (also) is he who saith, "Our Lord! Give unto us in the world that which is good,

and in the Hereafter that which is good, and guard us from the doom of Fire." (II : 200, 201)

"Whosoever doeth right, whether male or female, and is a believer, him verily We shall quicken with good life, and We shall pay them a recompense in proportion to the best of what they used to do." (XVI : 97)

That the word *hasanah* (good) in the quotations eighth and ninth mean the same as *falah* is evident. It will be clear still if one goes through the verse 157 of the seventh *Surah* of Qur'an.

Here we reproduce from the Qur'an some verses that state categorically and in unequivocal terms the truth that the same human behaviour ensures *falah* in both the worlds. No two types of behaviour are conducive to a harmonious existence in the world under the sky and in the life Hereafter. The one way that ensures a balanced life here will do so even after the bodily existence is cast away.

"Corruption doth appear on land and sea because of (the evil) which men's hands have done, that He may make them taste a part of that which they have done, in order that they may return. Say (O Muhammad, to the disbelievers): Travel in the land, and see the nature of the consequence for those who were before you! Most of them were idolaters.....whoso disbelieveth must (then) bear the consequences of his disbelief, while those who do right make provision for themselves."

(XXX : 41, 42, 44)

"But if there come unto you from Me a guidance, then whoso followeth My guidance, he will not go astray nor come to grief. But he who turneth away from remembrance of Me, his will be a narrow life....."

(XX : 123, 124)

"And I have said: Seek pardon of your Lord. Lo! He was ever Forgiving. He will let loose the sky for you

in plenteous rain, and will help you with wealth and sons and will assign unto you Gardens and will assign unto you rivers." (LXXI : 10-12)

The Qur'an alludes to the history of innumerable nations which were wiped off the surface of the earth due to their failure to cultivate the desired character. We cite here only one example, probably that of the Sabaites.

"Allah coineth a similitude: a township that dwelt secure and well content, its provision coming to it in abundance from every side, but it disbelieved in Allah's favours, so Allah made it experience the garb of dearth and fear because of what they used to do."
(XVI : 112)

This and the other historical proofs bear sufficient testimony to the point we want to establish. It is one and the same way of life which guarantees material well-being in this world as well as success in the life Hereafter.

2

Having established that *falah* in this life and in the life Hereafter is the end of human life, for which the right-headed persons must live and endeavour, we now proceed further to see what according to it is the way to *falah*. A close study of the following lines will give us a clear understanding of these ways and means:

"But those will prosper who purify themselves."
(LXXXVII : 14)

"Truly he succeeds, that purifies it." (XCI : 9)

"So give to the kinsman his due, and to the needy, and to the wayfarer. That is best for those who seek Allah's countenance. And such are they who are successful."
(XXX : 38)

"So keep your duty to Allah as best as ye can, and listen, and obey, and spend; that is better for your souls. And whoso is saved from his own greed, such are the successful." (LXIV : 16)

"And there may spring from you a nation who invite to goodness, and enjoin right conduct and forbid indecency. Such are they who are successful." (III : 104)

"Successful indeed are the believers who are humble in their prayers, and who shun vain conversation, and who are payer of the poor-due; and who guard their modesty — save from their wives or the (slaves) that their right hands possess, for then they are not blameworthy, but whosoever craveth beyond that, such are the transgressors — and who are shepherds of their pledge and their covenant; and who pay heed to their prayers." (XXIII : 1-9)

All the lines quoted above in this section and the preceding ones convey one and the same idea about the means and ways through which *falah* can be achieved. It is through cultivation of the time-honoured high virtues that *falah* can be achieved. It is only through the purification of the self and society from the well-known vices that we can approach *falah*. All these virtues and vices have been enumerated by *Qur'an* and *Sunnah*. The emphasis that Islam lays on *Ibadat, Taqva, Tazkia*, and *Ihsan*, is well known to a student of Qur'an. It remains to add here that all these terms signify more or less the same conception: Abstinence from vices and cultivation of virtues. They mean the sum total of all those attributes which are the true outcome of the fear and love of God, and the will to be obedient and submissive to Him, as well as to be benevolent and serviceable to His creature.

Here we must point out the classification of these possible virtues and attributes. All of them do not fall into the same category. Some of them are basic and primary while the rest are secondary and supplementary. Then there are various practices and institutions which have been pointed out by

ur'an to be embodiments of goof attributes and representaves of healthy trends.

Amongst the virtues of basic importance are the fear of od; the love of God; the tendency to prefer the good of life ereafter to the short-lived material gain of this life; benevonce towards the creatures of God, spirit of co-operation with ie fellow human beings, justice and equality, chastity and pity; fulfilment of promises and contracts etc. Likewise the initutions of obedience to legitimate state authorities. *Shura*, nd peaceful relations with sister nations have been highly exlted due to their importance in view of the basic values.

That *falah* depends upon the moral conduct of man ither than upon his efforts to multiply material means to wellbeing is easily understandable. Given the material resources of community, it is the moral conduct of that community which rgely determines how these resources are going to be used. ocial life is a network of relationships. To fulfil their hundred nd one needs, material as well as non-material, men coperate with one another. In every such relationship there are lways two types of conduct possible: the one that conforms to ie Qur'anic standards of ethics and morality and the other that oes not conform to it. If men violate the basic moral values iere is bound to be injustice and misbalance resulting in all orts of maladjustments. If every relationship takes the form onforming to these values, there would be no maladjustment t all.

Further study of these values and institutions deserves ttention but it is desirable to content ourselves with a general urvey of this field, leaving detailed studies for special papers. is the task of the students of Islamic Economics, Islamic olitics, etc. to study the norm with reference to their own scinces. By clearly understanding the standards and values hich Islam sets as the guide of our policies in the economic, olitical and social aspects of our life, we shall be able to reach t important results in policy affairs. These results if puts to ractice are likely to give us an economy and a society quite

different in nature from the materialistic society which weste thinking has made to flourish.

3

The very first thing which strikes a student when he ap proaches the Qur'anic conception of *falah* (welfare), is its non material character. It is not primarily concerned with the stan dards of life. Its main interest lies in seeing men free, enjoyin equal rights living an organised life and individually possesse of high virtues. It wants to see men behave as responsibl members of society, co-operating with one another in the es tablishment of good and healthy institutions and in purging th life of all that is undesirable, harmful and filthy. All the prima values of Islam will be found to be nonmaterial, ethical, psy chological, aesthetic and spiritual. The material values appea on the stage following higher values as necessary conditions c supplements. Men must get their primary needs satisfiec They must be fed and clad. Provision must be made for goo health, sanitation, conveyance etc. People must be educated u to a standard which is to be determined by the stage of materia and cultural development of the day. All these principles hav been clearly pronounced by Islam. But Islam does not exag gerate their importance. It abhors the idea of making these th ultimate objectives of individual and social action. Undoubt edly, material well-being is necessary for a balanced life and progressive and healthy society. But this is only a means to th end, in itself.

Let us compare this conception of welfare with that c the modern economics. Modern thinkers generally conceive c welfare in terms of the supply of material aids to well being To increase per capita income, to raise the nutritious and ca loric value of the common man's diet, to increase the avail ability of comforts besides the sure supply of the necessaries c life to each and every member of the community; these are th ultimate ends of modern planning. No doubt they include edu cation, arts and amusements and measures directed toward

social reform, in their programme. But these items of the programme are economically motivated. The real emphasis lies upon the material aspect and not on the psychological and the non-material. According to certain schools of though not only ethical and social values but also even political and legal values and institutions have got no independent position. Their existence and importance depends upon their impact upon the economic conditions. In our view this is a policy contradictory to the very nature of man. Man does not live by bread alone. Bread though necessary has got only a secondary importance to him. It is the mischief of our social system based on the exploitation of the common man that makes the problem of bread the supreme one. In the normal scale of human preference the spiritual and ethical, the aesthetic and psychological, and the political and social values occupy a more important position. Conscious of this fact, Islam bases its conception of welfare on a different foundation. This difference is clear and self-evident, and we have already dealt with it in the preceding paragraphs.

The second distinctive feature of this norm is that it is not meant only for one or two departments of life. It is meant for all of them. It is comprehensive and all-inclusive. All activities, individual and collective, religious or seculars, economic or spiritual are to be directed towards the same end. The fact that each science possesses the same criterion for desirability and undesirability brings them closer to each other. Under the material influence, our sciences have lost any unifying principle. There is no harmony in the suggestions coming from the specialists in the various fields. The moralist and the neurologist, the religious preacher and the economist, and the saint and the politician all live in worlds of their own, each with his own norms. The obvious result of this scheme is narrowness in their outlook and clash in their policies.

The third important feature of this norm is that unity of the worldly lie and the life Hereafter has been paid its due. This unity release human mind from the tension to which the contemporary outlook subjects it. Any worldly concept of

norm is bound to leave our spiritual thirst unquenched, and we must always feel the need for something more to be done for the benefit of the life Hereafter. Obviously, this 'something more' comes into clash with the requirements of the worldly norm and there is a psychological trouble; a disintegrating effect upon the human personality.

CHAPTER III

ISLAM'S APPROACH TO THE RIGHT OF PROPERTY

A study of Islam's approach to the right of property is important not only because it sheds light on an important aspect of the Islamic economy but also because it is on this issue that the unique Islamic approach to economic affairs stands out in sharp distinction from that of the other systems like capitalism and socialism. This approach also demonstrates a basic characteristic of the Islamic system much more clearly than any other provision in that system; that it is formulated by and derives its contents from the basic truths on Man, Life and the universe which are the essentials of faith (*aqeeda*) in Islam. This brief paper does not study the details of Islamic Law on private and public property. It only seeks to reveal the real nature of the right of property in Islam, relating it to Islam's worldview, its social outlook and its philosophy of Law. Once these fundamentals are grasped, study of the details and a formulation of adequate social policy on issues, not explicitly covered by the Islamic Law, becomes easier.

1

ISLAM'S WORLD VIEW

Islamic culture is in essence the concrete materialisation of the spirit which emerges from Islam's outlook on Universe, Man and Life. The detailed guidance of Islam, or the Islamic way of life, is the natural corollary to this worldview. Islam's approach to the right of property is also rooted in the

same source. We therefore proceed to discuss the broad outlines of the Islamic worldview.

According to the Qur'an the universe is created by Allah and it is He Who causes its continuation and evolution. He is the Lord and the Sovereign Who has ordered everything into being with a certain purpose in view. The purposiveness has been repeatedly emphasised by the Qur'an:

> "And We created not the heavens and the earth, and all that is between them in play. We created them not save with truth; but most of them know not."
>
> (XLIV : 38,39)

Like all beings, Man is also His creation, His subject and His bondsman. A distinction attaches to this particular being whose nature has some special characteristics, and who is related to the purpose of creation in a special way. Man has a special position in the cosmos. He is capable of exercising control over the other beings, as over the forces of nature, to his own advantage:

> "And hath made of service unto you whatsoever is in the heavens and whatsoever is in the earth."
>
> (XLV : 13)

> "Verily We have honoured the children of Adam. We carry them on the land and the sea, and have made provision of good things for them, and have preferred them above many of those whom We created with a marked preferment." (XVII : 70)

This distinctive position involves certain obligations. Man is accountable to his Lord for all his thoughts and actions, for the uses to which he puts his capabilities and powers, and for the manner in which he exercises control over the other beings:

> "And that his effort will be seen, and afterwards he will be repaid for it with fullest payment. And that thy Lord, He is the goal." (LIII : 40-42)

The Prophet has informed us that:

> "On the Day of Judgement the son of Adam will not be able to move until he had been called to account for five affairs: About his life, in what pursuit he spent it: About his youth, in what causes it was worn out; About his wealth, from what source he earned and on what items he spent it; And how far he practised according to what (of the truth) he knew."[1]

Freedom of will and a degree of mastery over the forces of nature are not the only reasons why man is made accountable to God. It is also because God has appointed man His vicegerent on earth, so that he may fulfil a certain purpose He has in view.

> "And when thy Lord said unto the angels: Lo I am about to place a viceroy in the earth." (II : 30)

The purpose man has to fulfil and the ends to which he has to dedicate his life have been stated in the Truth revealed to him. To prove faithful to his Lord man must follow the revealed way and shun all other courses of action.

> "Lo religion with Allah (is) the Surrender (to His will and guidance)." (III : 19)

> 'And whoso seeketh a way of life other than Islam, it will not be accepted from him." (III : 85)

Man's welfare, both in the wordly span of life and in the Hereafter, depends on sincere adherence to the revealed guidance.

> "...then whoso followeth My Guidance, he will not go astray nor come to grief. But he who turneth away from remembrance of Me, his will be a narrow life, and We shall bring him blind to the assembly on the Day of Resurrection." (XX : 123-24)

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[1] Al-Tirmidhi : Al-Sunan, *Abwab sifat al-Qiyamah.*

Adherence to the Islamic conduct of life and fulfilment of the obligation involved in the status of vicegerency call for a co-operative attitude on behalf of all men. They should evolve a social climate conducive to Islamic living. The social institutions, mores and manners should be cast in the mould of the Islamic injunctions:

> "By the declining day, Lo! Man is in a state of loss, save those who believe and do good works, and exhort one another to truth and exhort one another to endurance." (CIII : 1-3)

> "And hold fast, all of you together, to the cable of Allah, and do not separate." (III : 103)

Co-operative living, besides being a precondition to welfare, is also the natural way of living. Being the children of the same grand-grandfathers, all men are brethren. They are members of one family and bondsmen of One God. They have the same purpose in life; they share the same destiny. Their success or failure, welfare or doom is governed by the same universal laws. Their real interests are common and harmonious. The natural basis of human relationship lies, therefore, in fraternal feelings, co-operative attitude and sincere sympathy with fellow men. Rivalry, strife and cut-throat competition are unnatural, harmful and inhuman.

The prophet, addressing a large assembly of men and women on the historic occasion of his victorious march into Mecca, declared:

> "O People! God has nullified the superiority some people claimed during the age of Ignorance, and set at nought the assertion of pre-eminence on account of lineage. For there are only two kinds of men: the good, pious man who is exalted in the sight of Allah, and the immoral man who is low in the sight of Allah. All men are the children of Adam and Allah created Adam out of clay. Allah has declared: 'O mankind, Lo! We have created you male, and female and have

made you nations and tribes that ye may know one another. Lo, the noblest of you, in the sight of Allah, is the best in conduct.' (XLIX : 13)[1]"

The Prophet is also reported to have said: "I testify that all men are brethren."[2]

Having impressed upon man his real status in the world, Islam proceeds to underline the real nature of man's life on earth, which is that of a test. Life on earth is a selective process wherein the good are picked from the bad. As this life comes to an end man enters the other, eternal phase of his life wherein he might be well-off or doomed, depending on his conduct in the first phase of life. Says Allah:

"Blessed is He in Whose hand is the Sovereignty, and He is able to do all things. Who hath created life and death that He may try you, which of you is best in conduct; and He is the Mighty, the Forgiving."
(LXVII : 1,2)

'He it is Who hath placed you as viceroys of the earth and hath exalted some of you in rank above others, that He may try you by (the test of) that which He hath given you.' (VI : 165)

This test is mainly individual in character, though it has its inalienable social aspect as well. It is individual as each individual is solely responsible for his own conduct, and he shall have to give his own account in his individual capacity.

"And each one of them will come unto Him on the Day of Resurrection, alone." (XIX : 95)

The primary concern of every individual is his own conduct.

"Ye have charge of your own souls." (V : 105)

He cannot escape the consequences of his own deeds.

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[1] Al-Tirmidhi : Al-Sunan, *Kitab al-Tafsir.*
[2] Abu Dā'ūd AL-Sunan, *Kitāb al-Salat; Bab mā yaqūl al-rajulu iza sallam.*

"If ye do good, ye do good for your own souls, and if ye do evil, it is for them (in like manner)." (XVII : 7)

But the inalienable social aspect of the individual's life negates the possibility of going through this test successfully without a social approach to this end. The social and the individual aspects of man's life are inextricably intertwined and the idea of individual welfare irrespective of the society's destiny is untenable. They stand or fall together. Many a religious duty of the individual involves the society as a whole and he can hardly pass the test that is life without meeting his social obligations. How can one expect to please the Lord by his individual piety while he ignores the mission of eradicating the evil and promoting the good as enjoined by Him? A bad society is hardly conducive to a good life for the individual.

As a further testimony to the crucial significance of the society for the individual we may note that according to the Qur'an the rise and fall of nations is based entirely on social performance. Societies living up to certain ideals and conforming to the essentials of the Right Conduct rise and prosper whereas moral decadence and deviations from the Right Path leads to doom and destruction. God's justice is meted out to nations according to their actual collective performance.

"Allah changeth not the condition of a people until they (first) change that which is in their hearts."
(XIII : 11)

Even those individuals who have been personally good and pious cannot escape the destiny. Allah has warned such individuals:

'And guard yourselves against a chastisement which cannot fall exclusively on those of you who are wrong-doers." (VIII : 25)

The Islamic Concept of Property

A number of fundamental principles relating to the right of property can be inferred from the above discussion of Islam's worldview.

1. Property is a trust, the real owner being Allah Himself. Man's disposal over worldly goods is in the capacity of being the viceroy and the trustee. By its very nature, his rights are circumscribed by the limits Allah has prescribed and should be exercised toward the ends He has defined. Such obligations as Allah has made to devolve on these rights should be sincerely fulfilled.

The right to property is, therefore, not absolute but limited and qualified. To assume absolute rights has been the bane of the fallen people. The Qur'an cites a number of such examples, of people who arrogated to themselves absolute rights to disposal over their possession, thus deviating from the Right Conduct and setting themselves up in a position exclusively reserved by Allah for Himself. This is how behaved the people of Shueyb who had gone astray:

> "They said: O Shu'eyb! Doth thy way of prayer commands thee that we should forsake that which our fathers (used to) worship or that we (should leave off) doing what we will with our own property." (XI : 87)

To claim the right of 'doing what we will' with one's property is the height of egotism akin to a claim to equality of status with Allah. Such arrogance leads to the Hell. That is the moral of the stories of the 'People of the Garden' in the Qur'an (LXVIII) and the related story in the Qur'an (XVIII). Qur'an narrates the story of Kuran to impart the same lesson: that bypassing the commands of Allah in the exercise of ownership rights is fraught with dangerous consequences.

> "Now Korah was of moses' folk, but he oppressed them; and We gave him so much treasure that the stores thereof would verily have been a burden for a troop of mighty men. When his own folk said unto

him, Exult not; lo! Allah loveth not the exultant; but seek the abode of the Hereafter in that which Allah hath given thee and neglect not thy portion of the world, and be thou kind as Allah hath been kind to thee, and seek not corruption in the earth; lo! Allah loveth not corrupters, he said: I have been given it only on account of the knowledge I possess..... Then went he forth before his people in his pomp.... So We caused the earth to swallow him and his dwelling place...." (XXVIII : 76-81)

2. Even the limited rights of ownership can neither be devoid of purpose nor an end in themselves, in view of the purposive nature of man's life. Wealth is a means to the life ends. It should be instrumental in the effective discharge of man's responsibilities as the viceroy of Allah, and in the achievement of well-being in this life as well as in the Hereafter. That in fact is the nature of these rights as conceived by the Qur'an:

"..... Your wealth which Allah has made a means of support for you...." (IV : 5)

"And We have given you (mankind) power in the earth, and appointed for you therein a livelihood." (VII : 10)

"Eat of the provisions of your Lord and render thanks to Him." (XXXIV : 15)

"And strive with your wealth and your lives in the way of Allah!" (IX : 41)

The Prophet is reported to have said that Allah has declared: "We have bestowed wealth to be used for establishing (the system of) prayers and Zakat."[1] He has also remarked that: "Wealth is a help in a righteous conduct"[2], and that

[1] Ahmad bin Hanbal : Al-Musnad *'an Abi Waqid al-Laithi* (Vol. 5, p. 219 Matba Maimaniyah, Egypt, 1313 A.H.)

[2] Ali al-Muttaqi : Kanz al-'Ummal, Vol. 2, p. 50, Hyderabad, 1312 A.H. (Vide the Musnad of Dailami).

"Wealth properly acquired is a good thing for the good man."[1] The Prophet looked upon property and wealth as a means to living a righteous life. In a long tradition narrated by Abu Saeed Khudri the Prophet is reported to have said that wealth is a nice help for a man acquiring it in a correct manner and spending it in the right cause.[2]

3. The purposive nature of property rights coupled with the idea of the oneness of mankind demands that the bounties of nature and the worldly goods be accessible to all men; that they do not become the monopoly of the few. Mankind being the members of one and the same family should handle the wealth bestowed upon the family as a whole as the members of a family do. Brotherhood, sympathy, self-sacrifice and co-operation are the natural bases of economic relations between man and man. Islam does not approve of a distribution of property and wealth that deprives a section of humanity of the means of living. The function of wealth is to sustain life and enable its growth. Allah likes it to be shared by all men so that it is universally instrumental in good life. The Prophet has said:

> "Mankind are God's children, so the most beloved of people in the sight of Allah are those do good to His children."[3]

> "Mankind are God's children, all of them, so the most beloved of them in the sight of Allah are those who are most beneficent to His people."[4]

4. The last notable feature of Islam's approach to property rights inferred from its worldview is that it is in the nature of a test or trial. This nature demands that the individuals enjoy

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[1] Al-Hakim : Al-Mustadrak, Vol. 2, p. 2 (Hyderabad, 1340 A.H.). *Also* Al-Bukhari : Al-Adab al-Mufrad, pp. 45-46, Matba' Taziya, Egypt, 1349 A.H.
[2] Muslim : Al-Sahih, *Kitab al-Zakat, Bab takhawwuf ma yakhruj min zahrat al-dunya.*
[3] Al-Khatib al'Umari : Al-Mishkat ; *Bab al-Shafqah wa'l-rahmah ala'l-khalq.*
[4] Al-Tabrani : Al-Mu'jam al-Kabir, *'an Ibn Mas'ud.*

some discretion in the ownership and disposal of wealth. To deprive them of free choice by taking these rights away, or by legally obligating them to pursue rigidly defined courses in all matters would nullify this trial. At the same time social interest and the collective aspect of humanity's trial necessitates keeping individual freedom within certain limits. The way to individual success in the test that is life is through collective efforts for that purpose. In relation to property and wealth this necessitates a social approach to the rights and duties involved, with a view to creating conditions enabling every individual to make steady progress toward success in life.

2

THE SOCIAL OUTLOOK OF ISLAM

To define the relative jurisdictions of the society and the individual in relation to property and wealth is vitally important for any economic system. The roles assigned to various social institutions, especially to the State, should be clearly determined so that the individual rights are put in the proper perspective. For the modern man this issue is specially significant. Failure of the individualistic capitalistic approach paved the way for other extremist approach of socialisation and State control which resulted in equally, if not more, disastrous consequences. Had Islam defined a balanced approach to this problem it would make a great contribution to resolving the predicament of the modern man.

The Individual

In Islam the focus of attention is the individual, who is responsible for his actions and accountable directly to God for his conduct. Put to a difficult trial he needs certain rights and powers to shape his destiny. Command over the resources required to maintain life and give it a content is the *sine qua non* of an accountable conduct. A just God could not possibly have

made the individual accountable for his conduct if everything in his life was determined for him by some external authority. The individual has a right to participate in the task of social reconstruction with a view to making it conducive to his own welfare, as the society is also involved in his journey towards the life-ends. This is the rationale of the individual's social, political and economic rights in Islam. A just society must guarantee these rights to each one of its members irrespective of caste, creed, sex or status.

The Society

Man's life is, however, necessarily social. All the material and spiritual interests of men require collective efforts for their realisation. Material progress, social reform, political stability and peace, as well as education, moral regeneration and spiritual growth, all require a joint approach on the part of the individuals concerned. Individual efforts can hardly succeed without efficient surveillance at the social level. A programme of social reconstruction which fails to enlist the sincere co-operation of the individuals is doomed to fail. The crucial involvement of the individual's destiny with the collective organisation has been aptly described by the Prophet in a parable:

> "Those who accept and abide by the limits ordained by Allah and those who transgress may be likened to two groups sharing a boat; one group occupying the upper deck and the other the hold — whenever those in the hold required water they had to go up to draw it. So they thought among themselves: why not bore a hole in the bottom and thus save inconvenience to those on the top. Now if those on the top do not dissuade and prevent them, all are lost. If they do, all are saved."[1]

[1] Al-Bukhari : Al-Sahih, *Kitab al-Shirkat, Bab hal-Yuqra' fi'l-qismah wa'l-istiham fih.*

The moral is obvious: society must not be a silent spectator to what individuals may be doing as some of their actions may do irreparable harm. Social provision and control is necessary to protect the interests of all the individuals, including the erring ones. That individuals must enjoy a degree of freedom in order that life retains its character of a test and trial, does not imply that they should be allowed to injure others and endanger the health of the society as a whole. Islam does not subscribe to naive individualism; its approach to social authority is positive. The Social Authority should work for eradication of the evil and promotion of the good in society. It should stay the hands of the wrongdoers before it is too late. The Prophet has said:

> "When people notice the oppressor and do not stay his hand, it is most probable that Allah will encircle them all to His punishment."[1]
>
> "A community in which some people sin and others do not check them despite their being able to do so invites universal punishment by Allah."[2]
>
> "Allah does not punish a people on account of wrongs done by a few among them until these people become indifferent not staying the hands of the wrong-doers despite the powers to do so. It is on account of this indifference that Allah punishes all, the few as well as the many."[3]

Mere presence of some good people in a society cannot save it from the consequences of universal corruption and moral degeneration. Even the good elements cannot escape the consequent disastrous end:

> "Umm Salma, the Prophet's wife asked him if people could be doomed despite the presence of good men in

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[1] Abū Dā'ud: Al-Sunan, *Kitab al-Malahim; Bab al-'amr wa'l-nahy.*
[2] Ibid.
[3] Al-Khatib al-Umari : Al-Mishkat, *Bab al-'amr bi'l-ma'ruf.*

their midst. The Prophet replied: 'Yes, in case the evil elements predominate'."[1]

Decay and destruction in this life cannot be avoided through individual piety; the entire society has to be cleansed and reconstructed for that purpose. Individual destiny is inextricably tied to the fate of the society. The good, therefore, must check the bad and strive for universal reform and regeneration. This must be done even though it may require the use of coercion. Prior to this however, every effort should be made to mend the situation by moral suasion, education and reform. Each individual should be a well-wisher of the other, and of the society as a whole. That is, the co-operative attitude to living, a principle emphasised by the Qur'an:

> "Believers, men and women, are helpers of one another." (IX : 71)

> " . . . help ye one another unto righteousness and pious duty. Help not one another unto sin and transgression, but keep your duty to Allah." (V : 2)

The Prophet has said: "Live as the servants of Allah, and live as brethren";[2] and that "Every Muslim is a brother of the other Muslims and all Muslims are brethren."[3]

True collective spirit implies sincerity in human relations and loving dedication to that way of life which alone can guarantee success and well-being. The Prophet has said:

> "The essence of Religion is sincerity" (Repeating this sentence thrice). Asked, sincerity to whom? He replied: "To Allah, His Book, His Prophet, the rulers of the Muslims and to the Muslims in general."[4]

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[1] Malik : Al-Mu'atta, *Kitab al-riqaq; Bab 'adhob al-'ammah bi'amal al-Khassah.*
[2] Muslim : Al-Sahih, *Kitab al-birr wa al-silat wa'l-adab; Bab al-nahy.*
[3] Ibn Hisham : Al-Sirah, Vol. 3, p. 76, Bulaq, 1925 A.H.
[4] Abu Da'ud : Al-Sunan, *Kitab al-adab; Bab al-nasihah.*

This collective spirit requires that all important social issues be decided in mutual consultation and no individual or group should arrogate social authority to itself. The Qur'an regards this to be an inalienable feature of Islamic living, Muslims being a people "whose affairs are a matter of counsel" (XLII : 38).

Every individual is duty bound to adhere to the democratically organised Islamic society. No individual has a right to repudiate Authority rightly established. The Prophet has said:

> "Whosoever gives up obedience and dissociates from organised society, death in this state will mean for him a death in Ignorance."[1]

As pointed earlier, a collective approach to the attainment of the goals of good life is imperative. This is especially true of the establishment of the true way of life set as the goal of the Muslims on this earth:

> "He hath ordained for you that religion which He commanded unto Noah, and that which We inspire in thee (Muhammad), and that which We commanded unto Abraham and Moses and Jesus, saying: Establish the religion[2] and be not divided therein." (XLII : 13)

The Qur'an conceives of Muslims as a party enjoining good upon all men, dissuading them from evil deeds, and establishing the just social order:

> "Thus We have appointed you a middle nation, that ye may be witnesses against mankind." (II : 143)

> "O ye who believe! Be steadfast witnesses for Allah in equity." (V : 8)

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[1] Muslim : Al-Sahih, *Kitab al-imarah; Bab al-'amr bi luzum al-jama'ah 'ind zuhur al-fitan.*

[2] Arabic & *Deen.*

"Ye are the best community that hath been raised up for mankind. Ye enjoin right conduct and forbid indecency; and ye believe in Allah." (III : 110)

ividual and Society

Islamic society is a society with a purpose. As one ies this purpose, and the nature of individual-society rela- ship in Islam, one is impressed by the harmony of interests unity of spirit. Society in Islam is for the individuals. It rges out of the natural urges of the individuals' and grows heir initiative. It is an expression of the individuals, co- rative attitude. The individuals seek to realise their com- ı interests through the society. Society is the protector of r material and spiritual interests, the promoter of their wel-

Society performs its functions through the State and ır social institutions. Individuals are the real assets of all e institutions, and it is on their performance that the effi- y of these institutions, including the State, depends. It is the / of the society to be a helper to all its members, to be just fair in adjudicating between them and to organise human tions on the basis of divine guidance with a view to ena- g the individuals to live a good life. In this regard all indi- ıals are equal irrespective of lineage, political status and ıomic condition. As the great Companion, Caliph Omar remarked:

"Allah is not related to any individual, the only possible relation is that through obedience. The low and the high all are equal in the religion of Allah — Allah is their Lord and all of them are His subjects."[1]

ı Kathir : Al-Bidayah wa 'l-Nihayah, Vol. 7, p. 35, Matba' Sa'adah, o, 1939.

Social Institutions

The society discharge its functions through a numbe institutions evolving out of the co-operative efforts of the ir viduals for the fulfilment of their needs and attainment of tl objectives. The family and the township, the nation, the pol cal parties, vocational organisations and cultural associati are instrumental in the realisation of the society's role. Th institutions derive their authority, moral or legal, required their efficient functioning, from the will of their members. lam recognises and approves of all the institutions function within the boundaries drawn by Allah, for the safeguard of real interests of men and the promotion of their true welfare.

The State

There are a number of social functions which cannot performed without political power and the capability to enfo decisions. To protect the life, honour and property of member of society; to ensure a degree of freedom to all anc do justice should disputes arise, are functions requiring authority with vast powers. Such a social authority is the St which is above the individuals and, to a great extent, above the other institutions of the society. It is a socially necess human institution distinguished by supreme power and univ sally recognised authority in the society concerned. Islan fully aware of the crucial significance of the State as epitom ing the co-operative spirit and being instrumental in the re sation of the generally cherished goals. Such social objecti as Islam has set for a good life as the establishment of the ri conduct, propagation of God's message to mankind, enjoin the good and eradicating the evil, become the primary fu tions of the Islamic State. The Muslim individual is keen fi to utilise the services of the State in the attainment of his li ends. The State creates suitable conditions enabling its in viduals to lead a good life and helping them in the realisat of the life-ends they cherish.

A glance as to how the Islamic State came into being will help us understand its correct place in the Muslim Society. Man needs Divine guidance for the proper conduct of his affairs. Genuine interest of men demands that their life is organised according to the wishes of Allah. God sent his messengers to make His wishes known to men. The last of the messengers of God was Muhammad *(Sallallahu Alaihi Wasallam)*. Like all the prophets of God he was sent so that men accept him their leader and obey him.

> "We sent no messenger save that he should be obeyed by Allah's leave." (IV : 64)

> "He it is Who hath sent His messenger with the guidance and the religion of truth[1], that He may cause it to prevail over all religions." (XLVIII : 28)

A large number of men responded to this message and accepted Muhammad *(Sallallahu Alaihi Wasallam)* as their leader. Soon this group found itself living in a territory free from external authority and the first Muslim Community organised itself into a polity with Muhammad *(Sallallahu Alaihi Wasallam)*, as the leader and the ruler. This was the first Islamic State, established as desired by Allah, as a result of a free choice by men as to their way of life, their Sovereign, their leader and ruler. It had the Qur'an as its constitution and law and the Prophet as its head, with the additional exclusive virtue of the authentic inspired interpreter of the law, elaborating upon it and applying it to the concrete situations as they came. Important collective affairs were a matter of counsel, as ordained by Allah:

> "...and consult with them upon the conduct of affairs. And when thou art resolved, then put thy trust in Allah. Lo! Allah loveth those who put their trust (in Him)." (III : 159)

This was the rule of God on earth established by His vicegerents. When the Prophet was no more the Muslim community elected one from among itself as his successor in office

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[1] Arabic : *Deen al-Haqq.*

and the Islamic State continued to function. True Muslims always regarded allegiance to such a State, and willing obedience to a government so established, as part of religion, directly demanded by their allegiance to God and His Prophet. No equivocation is possible on this point in view of the clear injunctions laid down. The Prophet has said:

> "He who obeys me obeys Allah and he who obeys the Ruler obeys me. He who disobeys me disobeys Allah and he who disobeys the ruler disobeys me."[1]

Which in fact is an elaboration of the Qur'anic injunctions:

> 'O ye who believe! Obey Allah, and obey the messenger and those of you who are in authority." (IV : 59)

Muslims are duty-bound to bring such a state into being, for true and full Islamic life is inconceivable without it. A Muslim society without the Islamic State performing its functions is incomplete, not only on the operative plan but also conceptually. This is aptly borne out by a remark ascribed to Omar the Great:

> "There is no Islam without a collective organisation,[2] and no collective organisation is (worth the name) without authority, and authority has no meaning without obedience."[3]

No individual has a right to by-pass this authority. The Prophet *(Sallallahu Alaihi Wasallam)* has said:

> "Whosoever disapproves of something from his ruler should exercise patience, for whosoever repudiates (duly constituted) Authority even slightly, and dies in this condition, he dies a death of ignorance."[4]

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[1] Al-Bukhari : Al-Sahih, *Kitab al-ahkam.*
[2] Arabic : *Jamaat.*
[3] Al-Darmi : Al-Musnad, *Bab fi dhihab al-ilm.*
[4] Al-Bukhari : Al-Sahih, *Kitab al-Ahkam.*

There is complete consensus of Muslim opinion on the indispensability of collective organisation for Islamic living and on the Islamic State as an inevitable form of this organisation. During the fourteen centuries of Islamic thought, dissent has been rare, peripheral and relating to some point of detail.

It is not possible to study the objectives of the Islamic State in detail in this paper. A brief discussion is, however, necessary to put the state in perspective *vis-a-vis* the rights of property.

The primary objective of the Islamic State, as hinted earlier, is the establishment and preservation of a social order based on Islamic injunctions with a view to enabling men to live an Islamic life. For, according to the Qur'an, the Muslims are:

> "Those who, if We give them power in the land, establish worship and pay the poor-due and enjoin the good and forbid inequity. . ." (XXII : 41)

Islamic State ensures freedom from fear so that men may repudiate false gods and dedicate themselves to the true Sovereign living as He wishes them to live:

> "Allah has promised to those of you who believe and do good that He will most certainly make them rulers in the earth as He made rulers those before them, and that He will most certainly establish for them their religion which He has chosen for them, and that He will most certainly, after their fear, give them security in exchange, they will serve Me; not ascribing partner unto Me. Those who disbelieve henceforth they are the miscreants." (XXIV : 55)

There are duties devolving on the society as a whole according to Islamic law. These socially binding obligations to be discussed at a later stage, are one of the chief factors necessitating the Islamic State and giving it a role. They include *jihad*, propagation of Islam, education and moral regeneration, dispensation of Justice, maintenance of law and order and in

general, protection of all the material and spiritual interests of the Islamic people. The State requires and has a right to acquire the resources and power needed for the effective discharge of those functions. Individuals are expected willingly to co-operate with the State in this regard. The Islamic approach precludes any conflict or ill-will between the individual and the State. As explained earlier, a Muslim's relationship with the Islamic State is an extension of his relationship with God and his Prophet. Islamic State is the formal expression of the vicegerency of Allah on the earth. Besides this, the Islamic State has the other capacity of being the chief institution representing the individuals, having been created by them in their own interest.

The Individual and the State

The individual-state relationship is, therefore, an active, positive and purposive relationship based on good-will and co-operation. It is the State which enforces the Islamic law and makes individuals fulfil their obligations toward society, but it is the individuals who elect the rulers to enforce the *Shariah*. The rulers cease to deserve obedience should they transgress the *Shariah*. The Prophet has said:

> "Obedience (to rulers) is not valid where a disobedience to Allah is involved."[1]
>
> "Listen to your ruler and obey him as long as he leads you by the Book of Allah, even if the ruler be a disfigured[2] black."[3]
>
> "A Muslim is obliged to listen and obey, whether he likes the commands or not, as long as he is not asked

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[1] Muslim : Al-Sahih, *Kitab al-imarah; Bab fi wajub ta'at al-umara fi ghair ma'siat Allah.*

[2] Arabic *Mujadda'* meaning, "whose nose has been chopped off."

[3] Ibn Majah : Al-Sunan, *Abwab al-jihad; Bab ta'at al-imam.*

to sin (against God). But if asked to sin he should neither listen nor obey."[1]

As a rule one should follow the Qur'an whenever the nands of the government and the Qur'an diverge.

"Beware! Islam (in history) will pass through diverse phases. You keep by the Book (of Allah), following its lead.

"Beware! Soon there shall be ruler deciding your affairs in such a manner that if you follow them they would lead you astray and if you disobey them they will kill you."

(The narrator) asked, "O Prophet, how are we to behave in that eventuality?" He replied: "Do as the Companions of Jesus did — they were sawn and hanged. Death in the obedience of Allah is preferable to life in His disobedience."[2]

The individuals are duty bound continuously to review policies of the State and offer constructive criticism. It is t of the duty of enjoining good and dissuading from evil phasised by the Qur'an. The Prophet *(Sallallahu Alaihi Wasallam)* said:

"Whosoever sees evil should strive to eradicate it. If he can do so by force, he should use force, if that is not possible he should speak out against it. If that is also not possible for him he should at least abhor it in his heart and that is the least that faith demands."[3]

Evils emanating from the seat of authority deserve pri- y of attention. Every individual should strive to cleanse and orm the government of the day as his own welfare is also olved. The Prophet *(Sallallahu Alaihi Wasallam)* has said:

-Bukhari : Al-Sahih, *Kitab-al-ahkam.*
-Tabrani : Al-Tu'jam al-saghir, pp. 154-55. Matbe' Ansar, Delhi (n.d.)
ou Da'ud : Al-Sunan, Kitab al-Salah; Bab Khutba Yaum al-'Id.

> "Officers shall be appointed over you of whom you shall approve of certain policies and disapprove of some. In such cases those who disapprove shall escape blame and those who criticise shall deserve indemnity, but those approving and acquiescing (shall meet the consequences)."[1]

> "Ibada bin Samit states that we have promised the Prophet to listen and obey, whether to our like or dislike; and not to struggle for power against authority duly established; and to adhere to the truth wherever we are not fearing any adverse comments in the cause of Allah."[2]

Criticising the government is a difficult task, for only adverse comments but also reprisals and persecutior also feared. Muslims have been encouraged to speak out truth and take a bold stand in such situations too. That is *Ji* in the true sense of the word. A person about to embark upc battle (in the cause of Allah) asked the Prophet, "What type *Jihad* ranks highest?" The Prophet *(Sallallahu Alaihi Wasallam)* plied, "Truth spoken out before an oppressive ruler."[3]

Those succeeding the Prophet as heads of State fi acknowledged this right of the people. They took care to mind them of their duty to offer constructive criticism, to t concrete steps to redress the wrong and to refuse to ol should the State violate the Islamic law. In his very f speech after assuming office as the elected head of the Islar State Abu Bakr *(Raziallahu Anhu)* said:

> "I have been elected the ruler even though I was not the best among you. Now, if I do well you should assist me, but should I go wrong you correct me. Truth is a trust (to be delivered when due) and falsehood is

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[1] Muslim Al-Sahih, *Kitab al-imarah ; Bad Wajub al-inkar ala-'l-umara' ma yukhalif al-shar'.*

[2] Al-Bukhari : Al-Sahih, *Kitab al-ahkam ; Bab kaif yubayi' al-imam al-n*

[3] Al-Nasa'i : Al-Sunan, *Kitab al-bai'ah; Bab fazl man takal-lam hi 'l ha 'ind imam jai'r.*

breach of trust. . . Obey me as long as I obey Allah and His messenger you are not to obey me."[1]

In the same vein, Omar *(Raziallahu Anhu)* declared:

"The most beloved of the people to me is the one who informs me of my deficiencies."[2]

In his first public address after assuming office Omar *(Raziallahu Anhu)* said:

"Help me against my erring self by telling me the right thing to do and checking me from the wrong. Give me sincere advice and extent willing co-operation in the conduct of those of your affairs with which Allah has entrusted me."[3]

Likewise the third Caliph Osman *(Raziallahu Anhu)* issued a circular declaring:

" . . . . Since the day I was elevated to this office I have taken up the task of asking people to do good and desist from the evil deeds. I shall willingly fulfil all the obligations, of myself and my governors, which are brought to my notice."[4]

At a later stage another pious caliph, Omar bin Abdul Aziz went one step further, announcing a cash reward for every good suggestion made to him relating to matters of public importance or individual significance.[5]

These precedents should convince the reader that constructive criticism and advice were not only allowed but encouraged and eagerly sought. This important aspect of the individual-state relationship in Islam should always be borne in mind.

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[1] Ibn Hisham : Al-Sirah, Vol. 3, p. 102.
[2] Ibn Sa'd : Al-Tabaqat al-Kubra, Vol. 3, p. 292, Beirut, 1957.
[3] Ali al-Muttaqi ; Kanz al'Ummal, Vol. 3, No. 2373, Hyderabad, 1313 A.H.
[4] Al-Tabari : Tarikh, p. 2940, Leiden, 1893.
[5] Ibn al-Jawzi : Sirat 'Umar bin 'Abd al-'Aziz, p. 73. Matba' Muwaiyed, Egypt, 1331 A.H.

According to Islamic law the details of the functions of the Islamic State are to be worked out by the Muslim society whose general will is the final arbiter regarding the powers and jurisdiction of the Islamic State within, of course, the boundaries defined by the *Qur'an* and the *Sunnah*. The society elects and has the power to dismiss the officers of the State, but it cannot dispense with the institution of State itself. Islamic State is a must for the Islamic society, as we have seen above. How beautifully the basic significance of State for Islam has been described in the following remarks of the Prophet *(Sallallahu Alaihi Wasallam)*:

> "Islam and Authority are twins, no one of them can prosper without the other, Islam is a foundation at which Authority stands guard. A building without a foundation is sure to fall; an estate without a guardsman is sure to perish."[1]

Right of Property in the Light of Islam's Social Outlook

Some principles of fundamental nature can be inferred from the above discussion on Islam's social outlook. Though each one of these can be substantiated by independent textual provisions, we content ourselves with a statement of the principles only.

(i) The individual, the State and the society each have claim on property rights in view of the role assigned to them. Depriving any one of them of the right to acquire, own and dispose of material resources will endanger the important functions they have to perform, thereby throwing the Islamic way of life off balance.

(ii) The property rights of these three agencies should not come in conflict with one another, nor should their exercise by any one of them jeopardise similar rights of the others. Individual rights should not vitiate social inter-

[1] Abu Ishaq al-Shatbi : Al-Muwafiqat fi Usul al-Shari'ah, vol.2, p. 168. Maktaba Tijariah, Egypt (n.d.)

ests nor obstruct the functioning of the State. The State should not confiscate or circumscribe individual rights without any just cause duly recognised by the Islamic law.

) Islamic State has a jurisdiction over individual rights, being the embodiment of God's vicegerency on earth and representative of the people. This jurisdiction, is, however, functional depending upon the values and objective cherished by Islam. State intervention should be designed to enforce Islamic law and promote individual and social good.

) Individuals should not grudge reasonable State intervention necessitated by Islamic considerations and directed towards the achievement of the collective ends laid down by the *Shariah*.

) Disposal of public property and public control over individual rights of ownership shall be exercised by a property constituted authority according to the provisions of Islamic law. All important decisions shall be a matter of counsel and subject to criticism and review by individuals.

3

ISLAM'S PHILOSOPHY OF LAW

bjectives of the *Shariah*

The *Shariah* comprises injunctions emanating from Islam's world view and its social outlook. Its details, even those xplicitly stated in the *Qur'an* and the *Sunnah*, are all derived om the above and are rooted in man's nature.

The provisions of the *Shariah* are purposive, the purposes relating to the welfare of man himself. They relate to

both phases of man's life, the immediate earthly phase and of the Hereafter. A comprehensive one word statement of purpose is *tazkiya* (purification-cum-growth).

> "The *Shariah* aims at liberating man from the slavery of his wishes so that he voluntarily becomes obedient to Allah to Whom he is already subservient involuntarily (in so far as the laws of nature govern his being)."[1]

Moral and spiritual growth of man is the ultimate a of the *Shariah*. It is with this aim in view that the messeng of Allah were sent to man. This view is confirmed by Ab ham's prayer to Allah reported by the Qur'an:

> "Our Lord! And raise up in their midst a messenger from among them who shall recite unto them Thy revelations, and shall instruct them in the scripture and in wisdom and shall make them grow. Lo! Only Thou art the Mighty, the Wise." (II : 129)

Besides purification and growth the *Shariah* aims sustaining human life and enabling its conduct with easy gra leading to welfare in this life as well as in the life after dea Islamic thinkers are agreed that Islamic laws are based on h man interests and aim at the safeguard and promotion of hum good.

> "The *Shariah* is based on wisdom, and on the interests of the people relating to the worldly economy and the Hereafter. It is wholly and solely justice, benevolence, expediency and wisdom. It is the *sine qua non* of well-being and success in this life and in the Hereafter."[2]

Students of Islamic law are agreed that it has been fo mulated with a view to promoting the good of mankind. As

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[1] Abu Ishaq al-Shatibi : Al-Muwafiqat fi Usul al-Shari'ah, Vol. 2, p. 168. Maktaba Tijariah, Egypt (n.d.)

[2] Ibn Qazzim : I'lam al-Muwaqqi'in, Vol. 3, p. 1. Matba, Muniriah, Egypt (n.d.)

basic interests of man the *Shariah* seeks to preserve, these olars mention faith, life, and continuance of the human race ough procreation, property, and sanity. Thus the objectives he *Shariah* have tow aspects: It lays down the proper rules conduct enabling moral and spiritual growth, and protects basic interests of man. These rules are amenable to easy npliance. The *Shariah* does not adopt a hard line in framing 's and laying down guiding principles for social policy. In iging men to obey Him and conform to His *Shariah*, God s not want to put men to hardship. Laws have not been ned in blissful disregard of the realities of human life and differing situations. Man's weaknesses as well as his pow- and potentialities have been taken into consideration in the mulation of the Islamic law. The Qur'an is explicit on the nt:

"He hath chosen you and hath not laid upon you in religion any hardship." (XXII : 78)

"Allah desireth for you ease; He desireth not hardship for you." (II : 185)

The Prophet has also affirmed that 'the religion is y'.[1]

w in Islam

The chief sources of Islamic law are the *Qur'an* and the *nnah*. In the third place the consensus (*Ijma*) of jurists and npetent thinkers of an age is also a means of discovering the amic law. Systematic inference (*Qiyas*) from texts, on ints of law not explicitly covered by the texts, ranks fourth. sides these four sources some other methods of discovering law of God in matter not covered directly or inferentially the texts are also possible. These methods have been nmed up by the scholars under the category *Istihsan* and *is- lah* — that is, defining the law in accordance with what is od or expedient. These methods are applied in cases where

1-Bukhari : Al-Sahih, *Kitab al-Iman; Bab al-din yusr.*

systematic inference is not possible, or where it leads to a c clusion contrary to the common sense, the recognised cust of the good people, or the essential needs under considerati In essence, it is a recourse to the spirit of the Islamic law : its objectives in matters where the texts are silent and logi deduction fails to satisfy. In principle laws formulated cording to this last method, as those derived systematic: form part of the *Shariah*, along with those explicitly given the texts of the *Qur'an* and *Sunnah*. But the role played human mind, and the imprint of the changing times, does pl: them on a different footing. The following exposition of th significance by the great scholar, Ibn Qayyim is neverthele instructive:

> "In sending His messenger and revealing His books to men, God aimed at justice which is the foundational principle in the universe, whenever and by whatever method truth is recognised and confirmed by reason, a point in Islamic law is thereby established...The points of revealed law are meant to demonstrate that the real aim is the establishment of truth, justice and a balanced order of life. Legislation should therefore conform to truth and justice irrespective of the way in which the laws are arrived at. It is the ultimate objectives of law that are important, not the means of discovering the law. By giving us a body of laws God did, however, set certain examples and point out some reasonable bases of the law. All authentic means to truth will lead you to the same ends. Nothing else could be expected from the Perfect Law. We therefore regard just (state) policies as part of the *Shariah*, rather than its contravention. Calling them political policies is a matter of terminology; they are very much included in the *Shariah* provided they are based on justice."[1]

[1] Ibn Qayyim : Op. cit. Vol. 3, pp. 309-11.

The point discussed above is of considerable significance in the context of modern Islamic legislation. It underlines the religious nature of the laws made by a modern Islamic State, in accordance with the procedure of law making laid down by Islam. These laws cannot, however, be treated at par with the laws specifically written into the *Qur'an* and the *Sunnah*. All inferences are by nature controversial. Juristic opinions not directly deriving from some text cannot claim finality. Compliance with the laws enacted by the Islamic State is a religious duty of its Muslim citizens, but not being final and immune from error (as the textual laws are) they can be subjected to criticism and sought to be changed.

Individual Rights

Another important feature of the *Shariah* is its emphasis on duties rather than rights. Duties come first in view of the status of man before the Lawgiver — Allah. Rights come next as being necessary for the effective discharge of the duties. Rights, therefore, are a function of duties. Primarily the *Shariah* aims at imparting to man those duties which he must perform for his own good, but it is also the concern of the Shariah that conditions conducive to the performance of these duties are created and prevail. It is here that the concept of Rights enters Islamic law. The nature of individual rights, their scope and their source should be clearly defined in the light of the above order of priority as the Islamic approach to this subject is diametrically opposed to that of the dominant Western culture with its emphasis on rights. In Islam rights emerge from duties, their scope expanding with the increasing demands of the duties. There are no absolute rights in Islam. Being functional they are not sacrosanct. Rights are liable to shrink in scope as the duties on which they rest are shirked and neglected. Every right, even the right to live, is liable to suspension, even forfeiture, should the essential duties relating to these rights be shirked and violated, threatening their function and negating their purpose. This applies to the individual as well as the State. It applies to the exercise of political power

by the State and public control over private choice, as well as to individual rights of ownership. The following lines from the Qur'an clearly bear out this principle:

> "The only reward of those who make war upon Allah and His messenger and strive after corruption in the land will be that they will be killed or crucified, or have their hands and feet on alternate sides cut off, or will be expelled out of land." (V : 33)

> "Give not unto the foolish (what is in) your (keeping of their) wealth, which Allah has made a means of support for you...then, if ye find them of sound judgement, deliver unto them their fortune." (IV : 5,6)

In this context the following command of the Prophet is also significant:

> "By Allah you must ordain the right and check the wrong; you must stay the hands of the oppressor and compel him to follow the right course and confine him within the limits set by the truth."[1]

The modern rights oriented thinking was born out of a strong reaction against the despotic regimes of the 16th and 17th century Europe. The West's drift towards individualism had its full impact on the thinking of the classical school of Economics. It is in this perspective that the capitalist approach to right of property should be studied. In rejecting this approach Islam is not opting for an authoritarian society. As we have emphasised above the power and jurisdiction of the State is also functional, depending on the role assigned to it. Like the individual rights, the powers of the State are neither absolute nor sacrosanct. The only absolute and sacrosanct entity is the Word of God, revealed once for ever in the Qur'an. Every other entity derives its status, rights and powers from that source according to its functions.

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[1] Abu Da'ud : Al-Sunan, *Kitab al-Malahim, Bab al-amr wa'l-nahy.*

Law and Moral Suasion

Islamic injunctions bear the seal of Allah's pleasure. This characteristic is equally shared by all the provisions of the *Shariah*, whether related to private life or public affairs. Obedience of all these injunctions is desirable but not all are legally binding. Obligatory duties are distinct from recommended conduct. The Laws enforceable by State authority are a class apart from duties left to the individual conscience. A study of this two-fold division into persuasive directives and binding duties and into legally enforceable and non-enforceable laws is of great significance. In the first instance this division fits into the nature of man's life on earth, that of a period of test or trial. Injunctions left to volition provide a means of distinguishing the really devoted from those grudgingly acquiescing, the responsible servant of God from the grudging conformist. By relying on persuasion in a sphere of conduct the individual has been provided with a field for voluntary spiritual growth and moral progress. This applies to prayers as well as political and economic affairs, as injunctions related to both fall into the two categories of the voluntary and the obligatory. The more one willingly abides by the recommended rules of conduct relating to property and wealth the better Muslim he is. The more these rules are observed in a society the higher the level of welfare attained.

Why has the *Shariah* so divided its injunctions relating to property and other social, political and economic matters? How clear-cut this division is? Is this division permanent or is it possible for some injunctions to change their class? These are important questions. As we shall note below, the division into voluntary and obligatory, as also into non-enforceable and legally enforced provisions of the *Shariah* is, to some extent, flexible and subject to readjustment as the circumstances change.

Some injunctions had to be enforced in order to ensure the existence and continuation of human society with a degree of peace, prosperity, stability and goodness without which Is-

lamic life would not be possible. Legally enforced provisions of the *Shariah* guarantee the essential traits of the social order of Islam enabling man a life basically good and secure from deviation and disintegration. It is imperative for a good society to hold the wrongdoers in check lest they corrupt the whole atmosphere making good life impossible. Some of the legally enforced provisions of the *Shariah* aim precisely at that.

The above division suits human nature. To cover all the detail of life by laws enforced by the social authority is neither teasible nor desirable. To leave every thing to individual conscience is to invite disaster and put a premium on the forces of evil.

As to the flexibility of this division we find a core of provisions permanently meant to be legally enforced, surrounded by a ring of injunctions normally intended for voluntary compliance but capable of being made obligatory and enforced legally should the circumstances demand it. To avoid extravagance, for example, or to help the poor from out of one's surplus wealth and to trade at reasonable prices are mere moral obligations in normal times. But under certain conditions prices have to be fixed, extra taxes have to be levied to extend the needed services to the poor and forms of extravagance prohibited. These steps are necessitated by the need to safeguard social interest and further the general good. Moral obligations related to vital interests of the society are far more important than similar obligations related to individual spiritual growth. Vital collective interests have got to be protected. Normally, moral suasion may succeed in doing so. But should it fail steps would have to be taken to ensure compliance by capable individuals. Though the *Shariah* prefers voluntary action and, through education and moral regeneration, seeks to encourage it, yet it does not shun coercion when the essential interests of mankind are in danger. The builders of Islamic society were realistic enough to note that a need for such action may frequently arise. The Prophet is reported to have remarked:

> "Allah gets done through Authority that which is not attained through the Qur'an."[1]
>
> "Allah rectifies by means of Authority more than by means of the Qur'an."[2]

Some sources ascribe similar statements to the pious caliphs 'Omar and Usman. 'Omar is reported to have said, "swearing by Allah, that things set right by means of Authority outnumbers those set right by the Qur'an."[3] And Usman has said, " What the ruler sets right outnumbers the affairs for whose rectification the Qur'an proves sufficient."[4]

Socially Obligatory Duties

This focuses our attention upon certain injunctions of Islam which are in the nature of moral obligations for an individual, but for the society as a whole they are legally binding duties. Individuals with the capacity to perform these tasks are expected to do so. Given that the relevant social purpose will be served and the collective interests preserved. These duties are termed *Farz-e-Kifaya* (socially obligatory duties). Let us study some of the definitions given by eminent scholars:

> "They are essential, and must be performed, irrespective of who performs them. They include religious duties like the prayers for the deceased (*Salat al-Janazah*) and mundane affairs like the essential industries."[5]
>
> "Socially obligatory duties are in the nature of voluntary desirable acts with respect to indivduals."[6]

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[1] Al-Tartushi : Siraj al-Muluk, p. 49. Matba' Khairiah, Egypt 1306 A.H.
[2] Al-Mawardi : Adab al-Din wa 'l-Dunya, p. 81, Dar al-Kutub al 'Arabiyah, Egypt (n.d.)
[3] Ali al-Muttaqi : Kanz-'Ummal, Vol. 3, No. 2483.
[4] Al-Qurtubi : Al-Jami' li Ahkam al Qur'an, Vo. 6. P. 325, Dar al Kutub al-Misriah, Cairo, 1952.
[5] Ibn Amir al-Haji : Al-Taqrir wa 'l Tahrir (Sharh Kitab al-tahrir). Vol. 2, p. 135. Bulaq 1316 A.H.
[6] Abu Ishaq al-Shatibi : op. Cit., Vol. 1, p. 161.

For a thorough discussion of this issue the reader is referred to Imam Shatibi's classic analysis in *Muwafiqat*. Here is a passage from that source. After classifying the objectives of *Shariah* into necessary individual and necessary social objectives he states:

> "Their being socially obligatory means that their performance is not the duty of any specific individual but they devolve on the totality of all individuals, so that those common interests are preserved without which individual interests cannot be safe. They re-enforce and complete the aforementioned (individually necessary objective of *Shariah*), hence these also are necessary. Individual objectives cannot be realised without the social ones. Social objectives relate to the good of all the men. It is due to this fact that the individual is not specifically charged with these duties and they are not addressed to him in which case they would have become individual duties. They aim at preserving human life. Individuals are the vicegerents of Allah amidst fellow servants of Allah, to the extent allowed by their abilities and powers. But a single individual has hardly the power and ability to set his own affairs right, not to mention the affairs of his family, kinsfolk, tribe, or the humanity at large. That is why Allah has entrusted the fulfilment of common needs of mankind to the society as a whole. That is the *raison d'être* of the state in society."[1]

As hinted by Shatibi, one of the prime functions of the State is to look after the fulfilment of the socially obligatory duties, on behalf of the society. Should individual initiative and voluntary action complete the task, use of authority and the coercive power of the State would not be called for. Failing that, some action will be necessary to get the task done. Either the State should assume these responsibilities as the institution representing all the individuals or it should compel those with

[1] Abu Ishaq al-Shatibi op. cit., vol. 2, p. 177.

the capacity to do these tasks to perform them. In the first case the State has the right to acquire the resources needed to fulfil the obligations. These resources should naturally come from those with the capacity to bear that burden.

Underlying this provision is the same principle that we have discussed above. A moral obligation of those individuals who have the ability to perform a socially obligatory duty turns into a legally binding duty enforceable by the State should these individuals fail to do so voluntarily. This principle is of crucial significance in the context of Islam's approach to the right of property as many socially obligatory duties involve the use of property and wealth. In the list of the socially obligatory duties agreed opinion includes *Jihad*, propagation of Islam, education and moral instruction, and essential economic services. To quote Ibn Taimiyah:

> "Numerous doctors of Islamic law belonging to the school of Shafai, Ahmad Ibn Hanbal and others like Abu Hamid al-Ghazzali and Abul Faraj al-Jauzi have said that these industries are duties socially obligatory, for the economic life (of the community) would not be complete without them."[1]

Philosophy of Law and the Theory of Property

This brief discussion on the philosophy of Islamic law leads to certain fundamental principles relating to the rights of property.

(i) Islamic injunctions related to property are primarily religious in nature, compliance to which is implied in a Muslim's submission to God. Their sincere observance is a means to self-purification and spiritual growth leading to the pleasure of Allah.

[1] Ibn Taimiyah : Al-Hisbah fi'l-Islam, p. 17, Matba' Muwaiyed, Egypt, 1318 A.H.

(ii) One should not approach these injunctions from an individualistic point of view. A correct perspective is provided by the duties assigned to man as the servant and vicegerent of Allah. Property rights are means enabling to perform these duties.

(iii) Islamic injunctions related to property comprise laws as well as recommendations. Compliance with both is desirable. Perfection lies in fully observing the rules recommended, though not obligatory.

(iv) Essential social and individual objectives of granting the rights of property have got to be achieved. If individuals' neglect of their moral obligations threatens these objectives, Islamic State will intervene to ensure compliance and safeguard the essential interests of the individual and the society. The State must, however, be aware that deficiencies caused by moral degeneration and spiritual backwardness cannot for long be compensated by laws and regulations. The call for spiritual uplift and moral regeneration.

Combining the three sets of conclusions derived from Islam's world view, its social outlook, and its philosophy of law, we get a synoptic view of Islam's approach to the right of property. In this brief paper it has not been possible to follow up the statement of broad principles by details of the Islamic law, a task the author has attempted elsewhere.[1] It is, however, hoped that a grasp of the essentials discussed above will greatly facilitate a study of the details.

[1] *Islam Ka Nazariah-e-Milkiat* in two volumes published by Islamic Publications Ltd., Lahore (1967, 68).

CHAPTER IV

A MODEL OF INTEREST-FREE BANKING

Is it possible to abolish interest and yet have a banking system which would perform its essential functions, ensuring smooth functioning of the economy and its monetary system? This question, besides being of academic interest, deserves some attention in view of the declared intention of a number of Muslim communities to do away with interest. The model of interest-free banking presented in this paper may be examined in this context.

1. The *raison d'être* of this proposition is Qur'an's unequivocal prohibition of *Riba*, which Muslim jurists have always interpreted to cover all kinds of interest, usurious or otherwise, irrespective of the nature and purpose of the loan. Contemporary exponents of Islamic thought, like their predecessors, have rejected all justifications of interest. Interest is unjust as it guarantees a fixed percentage return to the lender whereas the return of business enterprise in which capital is invested remains uncertain. Money employed in enterprise is exposed to loss, which must be borne by one who appropriates the profits of the enterprise. The present arrangement making the entrepreneur liable to all losses absolving the capitalist of this liability must be replaced by one in which capital's claim to profits is tied with liability to losses. Such an alternative is provided by the Islamic principle of *mudharibah* in which the capital and entrepreneurial activity both share the profits or enterprise and both are exposed to losses, as explained below. The present system is highly biased in favour of the capitalists at the cost of entrepreneurs. Fixed interest charges retard entrepreneurial activity and result in higher costs to consumers. The system results in an increasingly inequitable distribution of income and wealth in society as it slowly but steadily takes

wealth away from other classes of society to hand it over to the money-lending classes.

A detailed discussion on the case against interest is, however, beyond our scope. We treat the prohibition of interest as a datum and proceed to present a scheme of banking free of interest. For the sake of simplicity we assume a close economy and leave out international financial relations from this preliminary study.

2. The proposed system replaces interest by the principle of *mudharibah* (profit-sharing) as the basis both of deposits and advances. Commercial banks' activities are controlled by a Central bank which, despite the absence of bank rate as an instrument, controls credit and supervises the monetary system. Besides advances on the basis of profit-sharing, short term interest-free loans are also made available to businessmen, the source of these loan-able funds being demands deposits of the public. Demand deposits are treated as loans repayable on demands, no profits being distributed to these depositors. Finance for the government comes from the public mainly on the basis of profit-sharing and partly as interest-free loans. The financial papers involved in this process provide the central bank with means of regulating the supply of cash in the system. As regards finance for the consumer, banks have only a limited role to play.

3. In its simple form *mudharibah* is a contract between two parties, one supplying money capital but taking no active part in enterprise that is run by the other party which has not invested any capital. The business party agrees to surrender a specified part of the profits of the enterprise to the capitalist party which takes the entire responsibility of any losses that might occur. In case of loss the business party goes unrewarded for it entrepreneurial services, whereas in case of profits it is rewarded by a share there in. Mismanagement of business funds or violation of the agreed lines of activity exposes the business party to the liability of the resulting losses. Either party is free to terminate the contract any time provided busi-

ness can be wound up without losses and assets are converted back to cash. Contracts for a specified period of time are also valid and binding on the contracting parties.

It is possible for either party to consist of a number of persons. The business party may invest its own capital, capital borrowed from others, or capital obtained from other parties on the basis of *mudharibah*. In each case liability to losses attaches to the owner of the capital, excepting the loan in which case the borrower takes on this liability. Profits are distributed according to the formula agreed upon, provided that no party can be assured of a given profit irrespective of the results of the enterprise.

4. While *mudharibah* serves as the basis of banker-depositor and banker-businessmen relationship, the bank itself is organised on the basis of partnership.[1] A number of persons provide share capital agreeing to share all profits and losses in proportion to the capitals they supply.[2] An elected board of directors runs the bank with the help of salaried staff, and policy decisions are, theoretically, deemed to have been taken by all the partners. As the bank's funds include loans from the public (demand deposits) the liability of its shareholder is not limited to the extent of their shares. In contrast, liability of the depositors in the 'investment accounts' is limited to the extent of their deposits. As a corollary to this provision, businessmen obtaining *Mudharibah* advances from the bank are not allowed to take long-term loans *on behalf of the enterprise*; they can, however, do so in their personal capacity, as stated above.

Investment

5. The banks's main business lies in advancing money to business parties for employment in commerce, industry and

[1] The government or an individual may also establish a bank supplying the entire capital. We do not discuss these exceptional cases for obvious reasons.

[2] While proportionate sharing of losses is obligatory, the shareholders are free to share profits disproportionately. We do not discuss the need and desirability of doing so for the sake of simplicity.

agriculture etc. Its revenue comes mainly in the form of its share in the profits of these enterprises. It may also deal in shares and commonstock issued by private companies or the government. It also performs, against payment of a fee or commission, such banking services as keeping safe deposits, transferring sums of money from place to place, issuing traveller's cheques, taking delivery of goods on behalf of clients, making payments for them and acting as trustees or financial advisers to clients, etc.

Capital advanced on the basis of profit-sharing (losses being borne by the bank) are of medium and long-term duration. But in view of the bank's obligations to the depositor into its 'investment accounts' it is necessary to be able to assess their profits periodically. For the sake of simplicity we assume that banks receive quarterly statements of accounts from their business clients who may also be obliged to return bank's capital, along with the bank's share of profits (or losses). Unless otherwise provided, the bank is free to renew the contract, taking only its share of the quarter's profit (which we shall assume to be half of the total profits accruing to the capital advanced) or terminate the contract.

A policy of diversification in the investment of bank funds will ensure that banks always receive some profits from their business clients as a whole. These profits along with profits earned on the share market and income from services performed constitute bank's revenue. After meeting the costs of banking the net profits will be distributed to the shareholders and the depositors into 'investment accounts' according to agreed formulas.

Deposits

6. The bank operates a current account and an 'investment account'. Deposits from public are received into the investment account on the basis of '*mudharibah*'. Acting as the business party in the contract with these depositors the banks promise to pay them a specified part, say three-fourths of the

profits accruing to the banks on their investment. The remaining one-fourth of the profits accruing to the depositors' capital is retained by bank as its own share. The banks invest this capital, along with their own (share) capital in the manner described above. Should the bank's investments as a whole result in losses, the depositors would be liable to these losses in a proportionate manner, (i.e. a 3 per cent loss on bank's total investment would mean a 3 per cent loss to the depositors too).

Deposits into investment accounts are made on a quarterly basis and accounts are settled quarterly. The depositor is free to close his account or renew it for a fresh quarter, after having received his profits (or losses) for the quarter.[1] These accounts would not be subject to chequing. Withdrawals before the completion of a term would deprive the depositors of the profits for the entire term, unless the banks agree to make some concession. As the interest-free baking comes into full swing it may allow during-the-term deposits and withdrawals, or even chequing in case of these deposits. It is, however, difficult to commit on this point in advance.

Deposits in the current account would be treated as loans made by the public to the banks. These loans will be repayable on demand. Their repayment in full will be guaranteed by the central bank, whatever the fate of any individual bank. These deposits will be subjected to cheques and no service charges will be made. Being loans, the banks will be free to employ them in their business. A fractional reserve will enable them to honour all cheques as at present.

Short Term Credit

7. In view of the fact that a fractional reserve against demand deposits is sufficient to meet depositors' demands for

[1] It would be possible to settle accounts monthly, six monthly or annually. No sanctity attaches to the quarterly basis adopted in the text. But a quarter seems to be a middle of the road choice. What is important, however, is that there has to be a reasonable time limit before which these deposits are not withdrawn.

cash, the central bank will oblige the commercial banks to set aside part of the remaining demand deposits for making short-term interest-free loans. The other part may be invested, along with share capital and the 'investment account' deposits, in profitable business.

This provision is necessitated by the fact that advances on the basis of profit-sharing are not suited to meet short-term needs of finance by business. It would be hardly possible to prepare a profit-loss account in case of funds obtained for a few days, or even a few weeks to tide over temporary financial difficulties. Moreover, most of these loans being of self-liquidating nature could be easily made out of credit created for this purpose. Besides short-term credit for business, overdraft facilities to the depositors and short-term accommodation to Government can also be made from out of the same source. Just by way of an example we assume that banks are under obligation to set aside fifty per cent of their demand deposits for making interest-free loans. A bank refusing to do so would not be allowed to operate current accounts for the public.

The banks would be persuaded to do so, willingly by a number of considerations. To begin with, the central bank would offer, 'refinance' against interest-free loans made by commercial banks, as explained below. Then there would be the attraction of being able to employ the remaining demand deposits (minus reserves) in profitable investments. Last but not the least is the fact that increased profitability of the enterprises receiving interest-free loans would go to enhance bank's own shares out of these profits. In an economy in which most of the enterprises are financed by capital obtained from the banks on a profit-sharing basis this would prove to be an important consideration.

As regards the distribution of these loanable funds among its demanders, the long-term capital invested by the demanding firms may serve as the basis of allocation. It seems reasonable to assume that a firm's or an industry's short-term needs for finance is a function of long-term capital invested in

it. The value of this function will differ in various sectors of the economy but they can be easily worked out. In the second place, banks may be allowed to give preference to their own clients. Quality of security offered and credit-worthiness of the party concerned would also be a decisive factor. Excess of demand over supply of loanable funds would be eliminated by banks lowering the 'margin' of such accommodation and applying more strict standards in assessing needs and accepting securities. Perpetual disparity between demand and supply would call for a revision of the lending ratio — the ratio of loanable funds to the total of demand deposits — by the central bank.

While no interest will be charged on these loans, the costs involved in making decisions and keeping accounts would be realised in the form of fees charged per application for loan and/or entries made into ledger books.

Reserves

8. Banks would keep a fractional reserve against the total of their deposits — investment deposits plus demand deposits. Let us assume this fraction to be one-tenth. The banks would be obliged to keep a part, say half, of their reserves with the central bank. The remaining of the reserves, along with deposits currently made, may enable the banks to honour all cheques on current deposits and make payments to those depositors in the investment accounts whom it agrees to allow a withdrawal before the completion of the quarter. As regards withdrawals on the completion of the quarter they would pose no problem as they would generally be matched by fresh deposits. Failing this the banks would refuse to renew some of the advances made to business parties to honour their commitment to the depositors.

9. The working of commercial banks can be seen at a glance. Banks receive deposits in current account and investment account. Keeping a 10 per cent reserve and setting apart

50 per cent of that demand deposits for making interest-free loans, the banks utilise the remaining funds along with the share capital supplied by the partners in making *mudharibah* advances, purchasing common stock and organising revenue yielding services. In preparing quarterly accounts, profits from these various sources are pooled together and distributed over the entire capital invested, including reserves (but excluding funds set side for making interest-free loans). Out of the resulting profits per cent, three-fourth is credited to the investment accounts. Remainder of profit is distributed among the shareholders. Should there be a net loss in banking business the shareholders bear losses on their own capital as well as on 50 per cent of the demand deposits utilised by them. Depositors into investment accounts bear losses accruing on their own deposits, the percentage of losses being calculated in the same manner in which profits per cent are calculated. Despite the fact that deposits and withdrawals into investment account are on a quarterly basis continuity of bank's business is assured by the fact that most of the deposits are renewed for future and fresh deposits match those being closed. The banks can easily allow deposits and withdrawals during a term by devising suitable mean of setting profit-loss accounts for incomplete terms. Similarly, in their dealing with business parties the bank may not always follow a rigid time schedule, making advance and allowing repayment during the three months term too, subject to the condition that actual results of enterprise can be assessed to the satisfaction of the parties concerned.

Creation of Credit

10. Working along these lines the commercial banks will be creating credit as their counterparts do in the present system. Creation of credit by the banks depends on the public's habit of keeping their incomes and savings in the form of bank deposits and making most of their payments through cheques. This enables the banks to meet public's demands for cash by keeping fractional reserve against their deposits. It has absolutely nothing to do with interest. There is no reason why the aboli-

tion of interest should effect a drastic change in the public's habits mentioned above. As banks make *mudharibah* advances and grant short-term loans, their deposits would increase enabling them to make fresh advances and loans. Credit will expand within the limits imposed by the reserve ratio and demand for finance by the business. Repayments would decrease bank deposits, straining their reserve positions and causing further contraction of credit as banks try to make up their reserves by calling bank their advances or/and loans and selling the common stock held by them. As in the present system the overall volume of credit would fluctuate as bank's cash reserves change due to changes in the public's demand for cash or central bank's policies. This process would remain unaffected by the fact that instead of paying interest in time deposits banks share their profits with such depositors or that the advances to business are based on profit-sharing instead of fixed interest payments. Whether this change is likely to affect the total volume of banks' deposits is a point we discuss towards the end of this study.

Loss Compensating Reserves

11. The success of banks in attracting savings into their investment accounts would largely depend on their performance in distributing profits to these depositors. In order to avoid announcing losses in any quarter as also to avoid wide fluctuation in the rate of profits it would be advisable to build 'reserve funds' by retaining part of profits in order to compensate losses if and when they occur. This can be done both in relation to depositors and shareholders (*i.e.*, partners supplying the initial capital). Banks may continue paying dividends at a uniform quarterly rate, subject to the condition that the balance (positive or negative) will be posted into the relevant accounts when a depositor closes his account or a shareholder quits the partnership. This uniform rate can worked out in the light of past experience and may be revised as conditions change. Certain issues are raised in the context of ensuring justice to

depositors and shareholders who stay with the banks for varying durations. We hope it would be possible to solve them to the satisfaction of all concerned and in accordance with the relevant provisions in Islamic law.

The Central Bank

12. The central bank will be a guide to the commercial banks and it shall supervise their activities with a view to ensuring economic stability and growth. Working according to rules laid down by the State it will issue and manage the country's currency, control bank credit and channelise investible funds into desired directions. It will do so by advising, persuading, or issuing directives to the commercial banks on important policy matter. It will also wield a number of powerful instruments for regulating the volume of bank credit and their allocation.

All commercial banks shall be obliged to maintain a five per cent reserve against their total deposits in the form of deposits with the central bank (the remaining 5 per cent reserves being kept by the banks themselves). Changes in the reserve ratio will be used as an instrument of control as in the present system. In view of the absence of a 'bank rate policy' this instrument may have to be used frequently. Even in the present system some central banks are obliged to do this in view of the relative ineffectiveness of the bank rate policy.

The central bank will offer refinance facilities against interest-free loans made by the commercial banks in case these banks need additional cash to maintain their liquidity. The extent of accommodation provided by the central bank will be fixed as a ratio to loans made by commercial banks. For example, the 'refinance ratio' may be 25 per cent. These loans will be free of interest and for short duration subject to renewals. By effecting suitable change in the 'refinance ratio' the central bank can help commercial banks maintain their liquidity in the face of the public's changing demands for cash. The

ame instrument can be used in an inflationary situation for ontracting the volume of credit.

A means of selective credit control is provided by fixng different 'refinance rations' for different categories of oans. A high ratio against loans granted to a particular indusry will motivate banks to supply more loans to that industry nd *vice versa*.

Purchase and sale of industrial shares can replace 'open narket operations' in securities provided shares with relatively table prices are available in sufficient quantities. These will e available in the form of shares issued by the government for inancing public sector enterprises, as explained here. This instrument will enable the central bank to regulate the supply of ash in the system with a view to controlling credit.

The wide powers enjoyed by the central bank and the nowledge that it can always enforce its decisions, if needed hrough fresh legislation by the State, makes 'moral suasion' he strongest weapon of central bank even in the present system. A society with a higher degree of social awareness and a sense of dedication to the good of the people can rely on this instrument to a larger extent. Mutual consultation and cooperation among the central bank authorities and the commercial banks would ensure a smooth functioning of the system directed towards the welfare of society.

Financing the Government

13. Public finance in an interest free economy poses a special problem. Taxes will be levied to meet the normal costs of government. Depending on the economic situation the State may resort to deficit financing to a limited extent. But more funds will be needed to finance the vast developmental activities of a modern welfare State. We suggest that the State issue and sell to the public three types of financial papers as means of acquiring the needed funds. These papers are based on partnership, *mudharibah*, and interest-free loans combined with tax concessions, respectively.

The State will run suitable public enterprises in partne ship with the public. Capital for these enterprises will be raise through sale of shares majority of which will be purchased b the State, in order to keep effective control in its own hand *Partnership shares* will be titles of ownership. They will b transferable and marketable. Profits will be distributed annu ally, being given to those who own the shares on the last day c the year. Profits will be assessed on the basis of increment i net worth during the year. Distribution of profits may be i proportion to capital invested, but a formula of disproportion ate distribution may also be adopted. Shareholders will be li able to losses accruing to their capital but the possibility c losses in public enterprises can be and should be eliminated b efficient administration and suitable price policies of publi enterprises.

The State will also collect investible funds through sal of *mudharibah shares* of relatively smaller denomination an shorter durations. These funds will be invested in a diversifie manner in suitable public enterprises. The State will offer specified part, say, and 60 per cent of the profit to these share holders. These shares will not be titles to ownerships. The will merely state that the shareholder has supplied the value c the share for investment in State-owned enterprises, that he i entitled to 60 per cent of the profits accruing to his capital an that he shall bear the losses if and when they occur. Thes shares will not be transferable. The State will pay dividends o these shares on or after certain specified dates. This can b done on a quarterly basis. The shareholder will be able t withdraw his capital along with profits (or losses) on the com pletion of the term stated on the share-document. It will be ad visable to have shares of different values, large as well a small, and for different durations. Suitable arrangements fc sale and encashment of these shares should be made throug such agencies as commercial banks, public treasuries and pos offices, to facilitate their handling by the common man.

For periodical assessment of profits to be possible th industries selected for being financed by *mudharibah*, capita

should be of a relatively short period of production. In so far as this is not possible, assessment of net worth will form the basis of dividends declared. Partnership capital can be used for relatively long maturing enterprises. But some other means have to be devised for such long-term investments as big irrigation projects and atomic energy.

There is reason to believe that a competitive rate of profit can be assured to investors in State enterprises. Modern States finance these industries with borrowed capital on which interest has to be paid, and yet they are able to run them profitably.

14. Finance for non-profit welfare project and defence industries has to be raised mainly through taxes but interest-free loans from the public may also make some contribution. Loans are also needed to meet such short-term needs for finance as cannot by nature be met by profit-sharing capital. This need arises because State revenue comes mostly in tax realisation periods whereas its expenditure is spread all over the year. At present this need is fulfilled by issuing short-term treasury bills. In an interest-free economy *loan certificates* of various denominations and durations may be issued for this purpose. These certificates would be encashable at par on or after their due dates at post offices, banks, public treasuries etc. The risk of default being nil, those caring only for safe custody of their funds would find it convenient to hold these certificates. In an economy in which risk of loss invariably attaches to profitable investment there is likely to be a sizeable supply of such funds. Holding these certificates should also be regarded a service to society bringing social esteem. We would also suggest certain tax concessions by way of incentive. Long-term loans made to the Government should wholly or partly exempted from wealth tax. A long-term loan should also entitle the lender to income-tax remission on the sum lent for the year in which the loan is made. Such concessions would be justified on the ground that the lenders' ability to pay taxes is reduced by the loan which brings no returns.

The loan certificates would not be marketable or transferable — a provision necessary for safeguarding against their premature sales at discounted values. But they would be highly eligible papers as securities against loans or advances made by banks or private parties.

The State can easily manage to repay maturing loans out of fresh proceeds from sale of loan certificates and keep a large part of these loans under constant employment. Should there be a critical decline in the sale of these certificates rendering their proceeds less than repayments due, the State would ask the central bank to purchase enough loan certificates to make up the deficiency. If the central bank were obliged to print additional currency for this purpose it would amount to deficit financing.

Whether the financial needs of a modern State will all be met in the manner described above is not within our scope to discuss. We shall instead proceed to examine the role of the financial papers described above in the banking system. The banks may hold some loan certificates in partial fulfilment of their obligation to make interest-free loans. They may hold *mudharibah* shares of short maturates as a secondary reserve against deposits. They may also be attracted by the yield of partnership shares to invest some of their funds in them. The central bank will have to be a big buyer of partnership shares in order to use them in 'open market operations'. It may find it necessary to purchase and own an increasing quantity of *mudharibah* shares with a view to increasing the supply of cash in the economy at a rate commensurate with its rate of growth. Besides banks the other financial intermediaries like building societies, Provident Fund Schemes and hire-finance companies may find it advisable to invest their resources in these shares.

Finance for the Consumer

16. We do not envisage a major role for the banks in providing finance for the consumer. For the sake of convenience, however, overdraft facilities may be provided to depositors in

the current account subject to a ceiling depending on their average monthly balances. The banks may also offer to encash 'instalment purchase' papers, as they would do in case of traders' bills of exchange. All this would be treated as granting interest-free loans and would be limited to the extent to which such loans could be made.

Payment of bank loans in an interest-free system must be fully guaranteed otherwise the system cannot work. Besides every care being taken by the law and banking practice in this regard, this guarantee must ultimately come from the State. The possibility of default due to bankruptcy, death without leaving any assets, *etc.* cannot be ruled out. In these cases the State must undertake to reimburse the sums involved. In an Islamic society this can be done by reserving part of the *Zakat* revenue for this purpose.

Economic Feasibility

17. As regards the supply of savings and their allocation to various sectors of the economy we do not think abolishing of interest will create any difficulties. It is not the rate of interest but the priorities of a modern State and the rates of profit in various sectors of the economy that are decisive so far as allocation of investible funds is concerned. Absence of fixed interest payments can, at the most, have only a marginal impact on the propensity to save, in whose determinants interest has but an insignificant place. The possibilities of profitable employment of savings would be there. The risks involved in 'investment accounts, of commercial banks of purchase of shares issued by the State will be very small. At the most there may be a shift in favour of demand deposits and 'loan certificates'. But this shift will be irrelevant from the society's view-point as all these funds are ultimately employable in economic enterprise as explained above.

Lastly, the role of the rate of interest as an instrument of monetary policy is too insignificant to be bothered about. Once we are convinced that the banking system can be reor-

ganised without interest we can safely bury it without any qualms. We conclude this preliminary description of interest free banking on a recent verdict on interest which speaks volumes on the subject.

> "Interest is the most paradoxical of all economic quantities. At first sight it seems to present us with an opportunity of doing calculations, and of obtaining in this way results which are at once quantitatively exact, logically inescapable and theoretically interesting. It is one of the main pillars of the claim of economics to be queen of the social sciences, the only one of those sciences reducible to mathematical statement and analysis. It runs in an unbroken thread through the whole theory of accumulation of wealth, both on the saving and on the investment side, and thus seems to reign over the theories of employment, of money, of growth, of the general price level and of the balance of payments. It can appear from this viewpoint of pure theory as the pivot of the entire system, the sun in the midst of its planets. Yet when examined closely these claims dissolve. It has been admitted from Marshall's time at least that the influence of the interest rate on savings is doubtful even as to its algebraic sign. More recently its influence on investment has been denied on the basis of businessmen's own testimony. Bank rate is still nominally the Bank of England's leading-rein for the commercial banking system, but it has had to be reinforced by 'directives', special deposits, hire-purchase regulations and what not. It seems likely that the interest rate, or the system of rates, will continue to receive from theoreticians the homage due to a ceremonial monarch, without in fact counting for more than such a monarch in the real affairs of Western nations."[1]

[1] G.L.S. Shackle : 'The Nature and Role of Interest' in Surveys of Economic Theory Vol. I, pp. 150-151. Prepared by the American Economic Association and the Royal Economic Society, Mac Milan, London, 1965.

CHAPTER V

THE ECONOMIC SYSTEM OF ISLAM

Man's natural desire for economic well-being is duly recognised by Islam. It has given man certain rights and provided for a social order ensuring collective well-being and eliminating poverty. As the life on earth is only a passing phase of man's life which extends into the Hereafter, one should aim at a welfare reaching bevond the worldly life. Economic philosophies other than that of Islam fail to encompass the life hereafter and exalt the material value to the status of the ultimate ends. But Islam makes material values subservient to higher moral values ingrained in man, reflecting the divine will and ensuring the welfare of both the phases of man's life. This is the feature distinguishing Islam's economic system from the other systems. It removes the edge from economic competition and puts human relations on a co-operative basis. It also serves as a principle harmonising the economic with the spiritual, social and political systems of Islam. The Islamic way of life possesses complete internal harmony as to its spirit and the modes of realising it. The subservience of the economic values to the moral and spiritual values makes it possible to integrate worldly life with life after death, the economic aspect with the other aspects of life, the individual with the society and the law with moral suasion as a method of social reconstruction.

Islam has indicated the desirable ends of economic enterprise. It has given the individual rights of property and freedom of enterprise. It enjoins the fulfilment of contracts and emphasises justice and benevolence as the bases of economic relations. It has also fixed certain responsibilities on the State relating to social security and economic development. It has

condemned the undesirable ends of economic activity and pu certain restraints on the right of property and freedom of enter prise. It seeks to maintain a balance between individual liberty and the social interests by laying down some guiding principles of social policy.

Desirability of Economic Enterprise

Religion is generally regarded as being indifferent to economic enterprise and the urge for economic betterment. This is not true of Islam. According to Islam all the resources of nature are thrown open to utilisation by man so that he might lead a contented through purposive life. God declares:

> "And We have given you (mankind) Power in the earth, and appointed for you therein livelihood."
>
> (VII : 10)

> "He it is Who created for you all that is in the earth."
>
> (II : 29)

> "Eat of the provisions of your Lord and render thanks to Him." (XXXIV : 15)

> "Say: Who hath forbidden the adornment of Allah which He hath brought forth for His bondmen, and the good things of His providing?" (VII : 32)

Islam looks upon wealth as a means to living:

> "Your wealth which Allah has made a means of support for you." (IV : 5)

Hence it is a gift of God to be sought after:

> "And when the prayer is ended, then disperse in the land and seek of Allah's bounty. . ." (LXII : 10)

The Prophet has made it quite clear that wealth can be a help in good life:

"Wealth is a good help in a righteous living".[1]

Material comforts are, therefore, desirable:

"Among means of man's well-being are a spacious house, a good neighbour and a good conveyance".[2]

Poverty and hunger are enemies of human welfare, to be fought and eliminated. The Prophet used to pray:

"Allah, I ask Thine refuge from hunger..."[3]

"Allah, I ask Thine refuge from poverty, scarcity and ignominy..."[4]

"To earn an honest livelihood is duty (ranking) next to the chief duty (of offering prayers)."[5]

Proper ends of economic enterprise include adequate fulfilment of one's own need and those of one's family, provision for future and leaving something for the posterity. Another desirable end of economic enterprise is the service of humanity and the Right Religion or in more comprehensive terms, spending in the cause of Allah. It is in view of the last mentioned end that no absolute limits earning money have been fixed by Islam as there are endless opportunities of spending it for the good of humanity.

Islam's approach to economic enterprise can be understood in the light of the fact that enterprises providing the necessities of life, whether individual or collective are socially obligatory,[6] in the sense that some people must engage in them lest the people should suffer.

While economic enterprise for the proper ends is extolled, activity directed at mere amassing of wealth or acquisition for showing off and claiming superiority, or earning

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[1] Ahmad bin Hambal : Al-Musnad *'an Abi Waqid al-Laithi*, (vol. 5, op. cit.)
[2] Al-Bukhari : Al-adab al-Mufrad, p. 67.
[3] Al-Nasa'i : Al-Sunan, *Kitab al-Isti'adha.*
[4] Al-Bukhari : Al-adab al-Mufrad, p. 99.
[5] Al-Khatib al-'Umari: Al-Mishkat, *Kitab al-Buyu'*.
[6] The legal term being *farz-e-Kifaya.* See the fourth essay for a detailed discussion.

money with a view to indulgent living is condemned by Islam. The Prophet is reported to have said that:

> "Whosoever strives merely to surpass others in wealth treads the path of Satan."[1]
>
> "Two rapacious wolves let loose upon a herd of sheep are not as devastating for it as lust of wealth and social distinction is for person's religion".[2]

Private Ownership and Freedom of Enterprise

We have seen above how God the real owner of everything in the universe, including man and his abilities, has given man the right of property and has encouraged economic enterprise for the proper ends. The real nature of these rights, however, is that of permission to use the various subjects as a trustee accountable to the real owner. The right of property is not absolute. It is a limited right involving certain obligations and geared to certain ends. Thus qualified, this right embraces consumption goods as well as the means of production such as land and capital. Besides the individual the society and the State also own property and exercise the rights of ownership. State is the guardian of individual rights with powers intervene, circumscribe and in some cases take away the individual right of property with a view to protecting social and individual interests of vital importance.

The right to individual ownership is basic to the Islamic code of life. It is a prerequisite of moral and spiritual growth: neither the democratic polity of Islam nor the co-operative society it seeks to build can be conceived of without this right. Islam rejects the socialist view that social ownership of all the means of production is the *sine qual non* of ending exploitation. It handles that problem in a different way.

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[1] Al-Tabrani : Al-Mu'jam al-Saghir.
[2] Al-Darmi : Sunan, *Kitab al-riqaq.*

Natural resources related to the common interests of man such as the rivers, the mountains, the high sea and the space and the collective goods such as the roads, bridges etc., are not to owned by individuals. Any individual man or woman, can own, the other objects rightly acquired through purchase, inheritance or original possession of unowned objects. Wood and animals in the forest, water and fish in the rivers and the sea, mines lying exposed on the surface of the earth and unowned fallow land lying outside the inhabited areas are amenable to such possession. But the possessor must usefully employ the object possessed, failing which it would be void. Moreover the State may regulate such acquisition in the social interest.

Though Islam recognises the right to use one's property it does not grant the freedom to destroy, squander away or use one's property for illegitimate purposes. Islam cuts at the root of indulgent living by prohibiting wine, gambling and free mixing of the two sexes. Use of gold and silver utensils and the personal uses of gold and silk by men are also prohibited. Even the innocuous uses of one's property are restrained when they involve grave injury to others. Every owner has a right to use his property for earning more money through commerce, industry and agriculture *etc.* In all these activities a code of conduct has to be observed. Fraud, deception, adulteration, and other baneful practices are forbidden. Hoarding with a view to raising prices and artificially created monopolies are illegitimate. There should be no compulsion in economic relations, nor should the dire needs of the people be exploited to charge exorbitant prices. Transactions involving ignorance or ambiguity as to the object traded or the price are prohibited as they might cause disputes. Gambling is illegal, and also the deals whose gains rest on sheer chance. Islam enjoins sincerity and a co-operative attitude in all economic relations as that is the natural basis of relations between members of the same family that all men are. The Prophet has said:

Human beings are the children of Allah, therefore the most beloved of people in the eyes of Allah are those who do good to His children."[1]

"Live like brethren and servants of Allah."[2]

"I testify that all men are brethren."[3]

Islam has qualified the right to save by condemning miserliness and hoarding. It likes men to spend the surplus:

"And they ask thee what they ought to spend. Say: That which is superfluous." (II : 219)

The Prophet has said:

"Son of Adam! It is better for you to spend the surplus wealth with you. If you hold it back it will have evil consequences for you."[4]

The right of property in Islam are not only qualified and limited, they are inalienably tied to certain obligations towards others. The first obligation of the individual after meeting his own requirements are towards his family, relatives and kinsfolk. Put in a nutshell one is obliged to share the responsibility of supporting a poor relative whom one could have inherited had that relatives died leaving a property. The incidence of this liability is in the same ratio in which the inheritance is shared. Then there is the legally fixed *Zakat* on almost all forms of wealth. Offering hospitality to guests and helping the needy who seeks assistance is also obligatory. Islam regards wealth as source of subsistence for all men irrespective of its distribution and formal ownership. This essential function wealth must perform, and nothing should be allowed to stand in the way of its doing so.

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[1] Al-Khatib al-'Umari : Al-Mishkat; *Bab al-Shafaah wa'l-rahmah ala 'l-Khalq.*
[2] Ibn Hisham; Al-Sirah, Vol. 3, p. 7.
[3] Abu da'ud : Al-Sunan, *Kitab al-Salat.*
[4] Muslim : Al-Sahih, *Kitab al-Zakat.*

The rights discussed above are meant for all men irrespective of caste, creed or class, race or language, colour or sex. Islamic law does not discriminate against any one on these grounds. The fact that a daughter receives half the share of a son in inheritance should not be misconstrued as discrimination on the basis of sex. This provision is based on the vast difference in the economic responsibility of the son from that of the daughter whose maintenance is in most cases the legal obligation of some male — the father or the husband. In the family that man and woman jointly raise, it is the male partner who provides for the children. That the mother's share out of the deceased person's inheritance equals that of the father's clearly negates the possibility of discrimination on the basis of sex.

Zakat

The social order of Islam provides for a number of collective measures for making individual activities serve the social good and the society look after the individual interests. Eradication of injustice, oppression and all baneful policies, enforcement of justice and promotion of humane and benevolent attitudes, are the key elements of Islamic social policy. Though this policy embraces measures spiritual, moral, and political besides the economic ones we shall confine in this study to two economic measures only: *Zakat* and the prohibition of interest.

Zakat is not charity. It is a right of the have-nots in the wealth of the haves.

> "And in whose wealth there is a right acknowledged for the beggar and the destitute." (LXX : 24,25)

Also, it is something entirely different from taxes levied for meeting the cost of government. It is a measure designed to transfer part of the wealth from the haves to the have-nots in society, as declared by the Prophet:

". . . (Tell them) that Allah has levied a *Sadaqah* in their wealth to be taken from their rich and turned over to their poor."[1]

Paying this poor-due is an act of worship which cleanses and purifies the payer.

"Take alms of their wealth wherewith thou mayest purify them and mayest make them good..." (IX : 103)

Zakat covers almost every kind of wealth: cash and bullion, stocks and inventories, agricultural produce, cattle mineral wealth, etc. Exemption limits and rates have been fixed once for ever. As a permanent provision in Islamic law this redistributive measure is necessitated by the unequal distribution of abilities, which in turn cause unequal opportunities This measure is supplemented by the Islamic law of inheritance in the limited sphere of the family and the kinsfolk. Wealth left by those dying without any heir goes to the public treasury.

Abolition of Interest

Whereas *Zakat* is a legal expression of the co-operative attitude in living, abolition of interest inhibits the self-centred egotist attitude toward life. Islam prohibits interest, as it is unjust:

"And if ye repent then ye have your principal (without interest). Wrong not, and ye shall not be wronged."
(II : 279)

Few would deny the injustice of the interest on consumption loans. To rationalise it is to extol the right of property in the absolute sense sacrificing other human values at its altar. That is the capitalist approach. There are, however many people who regard interest on commercial and industrial loans as legitimate in view of the 'productive employment' of the sum borrowed. But every enterprise does not result in a profit. A productive venture financed by borrowed capital may

[1] Al-Bukhari : Al-Sahih, *Kitab al-Zakat.*

eventually meet a loss. Justice demands that the capitalist claim a share in profits only when a profit actually occurs. It is the height of injustice to claim a profit where none has accrued. Fixed interest payments on commercial loans invariably involve this injustice. Employment of capital in business is always liable to losses, even when the capitalist himself is the entrepreneur. Profits are always uncertain. To shun all liability to losses and demand a guaranteed return on capital advanced is doubly unjust. That is why Islam regards all interest as illegitimate, irrespective of the nature of the loan or the rate charged. Islam has provided just alternatives for profitable employment of capital. For one who does not like to employ his capital himself or in partnership with others, it is open to advance his capital to a business party who would do the business and share the profits with the capitalist. The capitalist cannot, however, escape the liability of loss. Should the business result in a loss, the working party goes unrewarded for its entrepreneurial services and the capitalist party receives only what remains out of his capital.

Wealth and entrepreneurial abilities are disparately distributed amongst men. Hence every economic system has to find some basis for a deal between the capitalists and the entrepreneurs enabling the latter to employ the capital of the former. Fixed interest payments provide such a basis in the capitalist system. This is, however, unjust to the entrepreneurs and harmful to the consumers as interest inevitably enters into prices of the final goods. Islam provides a just alternative in the principle of *mudharibah* briefly described above. Those who must avoid the risk of loss can give loans in which a case repayment in full is guaranteed but no interest is allowed. This method does full justice to the entrepreneur and spares the consumers from meeting the cost of such employment of capital as do not in fact prove to be productive (of which fact the losses are the witness). It is equally just to the capitalist as he gets a share in profits whenever there are any.

Abolishing interest does not necessarily imply the scrapping of the banking system as it can function on the basis

of *mudharibah* also.[1] There is no danger of the supply of saving falling sharply in an interest-free system, as earning more money is only one out of the many motives behind savings. Granting this motive, a number of investment opportunities will be available to satisfy it. The urge to earn more out of one's savings is not so weak as to die due to non-availability of riskless investment opportunities. Some people are also worried regarding public debt, as to how it could be raised without interest payments. A remarkable feature of modern economies is that the largest borrower, the State, honours its commitment to pay interest by taxing its creditors. Why should it not be possible to end this farce and get interest free loans? Investible funds for the public sector can also be raised on the basis of partnership. *Mudharibah* also provides a suitable basis for acquiring funds from the public.

Economic Role of the Islamic State

As one studies the constraints upon the right of property and the obligations attaching to it, the Islamic laws relating to enterprise, the *Zakat* levy and the abolition of interest, the exhortation upon co-operation and the efforts to eliminate iniquitous and baneful activities, one gets an idea of the unique spirit of the economic system Islam builds. No description of this system can, however, be complete without a study of the economic role assigned to the Islamic State. Islamic State has a clearly defined role to play in relation to the welfare of the society. It has vast powers enabling it to play its role effectively, though these powers are held in check by certain provisions in the political system of Islam.

Islamic State is an agency enforcing the Religion of God on His people, concurrently it represents the people whose legitimate wishes it carries out by performing such functions as the people assign to it. It is the protector of individual rights and of the social interests. Its basic functions include enjoining good and forbidding evil deeds, education and character

[1] An outline has been presented in the fifth essay above.

building, defence, carrying the message of Allah to His people — resorting to *jihad* in this connection if forced to. It must maintain law and order, dispense justice, and protect the life, honour and property of its citizens. Its economic responsibilities include ensuring adequate provisions for every man and woman living in its territory, bringing about economic development and reducing the inequality in the distribution of income and wealth.

Ensuring adequate provisions means that the State should see to it that every human being living in its territory is able to fulfil his basic needs and gets food, clothing, shelter and in case of illness, medical care. Men are normally expected to provide for themselves, thanks to the freedom of enterprise and rights of property they enjoy. The State would assist them by expanding employment opportunities and creating a climate favourable for enterprise. The haves in the Islamic society are expected voluntarily to help the have-nots. But despite these provisions there may be men who are temporarily or permanently (due to some disability) unable to provide for themselves. It is the duty of the Islamic State to come to their help so that no person living in its land goes without food, clothing, shelter and medical care, when he is ill.[1] How keenly aware of this responsibilities the heads of the truly Islamic States have been is demonstrated by the following remarks of Omar bin Abdul Azeez:

> "Fatima, wife of Omar bin Abdul Azeez, narrates that once she saw him weeping in his prayer. On enquiry as to the reason Omar said: 'I regard myself responsible for the welfare of the entire people of Muhammad. I was, therefore, thinking of the hungry, the sick, the oppressed, the old and decrepit, the poor, with large families, the fighter in the cause of Allah and those in prison in alien lands. I am worried on account of

[1] For the basis of this and the other principles stated above in the *Shariah* see the writer's Urdu work *Islam Ka nazariah-e-Milkiat*, Vol. 2, Chapter 11, Islamic Publications, Ltd., Lahore, 1969.

these and similar people of whom there must be many in the provinces. I realised that Allah will enquire of these people on the Day of Judgement, with the Prophet Muhammad advocating their case in the hearing. I am afraid I will not be able to stand that interrogation, and that is what set me weeping'."[1]

This huge responsibility can hardly be discharged without economic development. Economic development is also a prerequisite to strengthening the defence of the country which is a duty enjoined by the Qur'an:

"And make ready for them all you can of (armed) force. . . ." (VIII : 60)

Economic development is of crucial significance for a modern Islamic State as it cannot possibly develop and preserve its cultural identity and play an active ideological role in the modern world without being economically self-sufficient and independent of alien Powers. Islamic history bears testimony to fact that truly Islamic rulers have always worked for the economic development of the land of Islam.

Economic policy of an Islamic State should be devised to lessen the gap between the have-nots by providing more and more opportunities for the poor and by redistributing income and wealth. Islam abhors concentration of wealth as indicated in the famous line of Qur'an following a statement of rules according to which *fai* is to be distributed:

".... that it become not a commodity between the rich among you." (LIX : 7)

State and the Individual

Before we mention some of the vast powers enjoyed by the Islamic State for playing the role discussed above, it is imperative to underline some characteristics of the political system of Islam. A government is installed through free choice by

[1] Ibn Kathir : Al-Kamil, Vol. 5, p. 24.

citizens who have the right to dismiss it should it turn apostate by transgressing the limits set by Allah. The affairs of the State must be conducted by consultation, important decisions being taken according to the democratic procedure, subject to the constrains provided by the specific textual laws in the *Qur'an* and *Sunnah*. Lastly, every citizen must have easy access to an independent judiciary. It is only such a State which enjoys the powers mentioned below.

The State has to ensure observance of the obligatory Islamic injunctions, and enforce the Islamic law. It should see to it that the individuals do not transgress the limits set upon the rights of ownership and enterprise, that they fulfil the obligations involved and exercise their rights in a manner harmonious with the interests of the society. This applies to all rights and every economic activity. For example, a person squandering away his wealth due to idiocy, the short sightedness, prodigality or moral delinquency will be restrained. His rights may be suspended, the State assuming his guardianship. The State will keep all business and industry under surveillance with a view to enforcing the Islamic code of conduct. In this context there has been a long established tradition in Islamic history of the institution of *Hisba* or *Ihtisab*.

Prices, wages, rates of hire and rent, and profits will normally be left to be determined by the market forces. Given the co-operative attitude and social orientation on the part of the economic agents in Islamic society it is expected that the rates and prices so determined will be just and socially correct, giving rise to no cause for State intervention. But the State has the power to intervene and fix prices and rates when it becomes imperative to do so in order to protect the common man and the society from profiteering and other baneful policies of the economic agents involved. Speculative hoarding and artificially engineered monopolies are a case in point.

A modern Islamic State will require vast financial resources to meet its obligations related to defence, economic development and welfare services. The normal sources of

revenue — part of *Zakat* rent on State owned lands (*Khiraj*) and profits from the public undertakings — can hardly suffice. Islam permits the State to tax or acquire part of the surplus income and wealth of the rich in the society. Moreover, the cost of the social services the citizens themselves assign to the State must be shared by those with the capacity to pay. Direct as well as indirect taxes can be levied for these purposes. The State has also the right to borrow funds and acquire on hire such property as it might need in order to meet an emergency. Besides war, famine, flood, epidemic and other emergencies the State may resort to some of these measurers in order to carry on the development programmes, provided the other alternatives fail. These decisions, like all other important decisions, have to be taken according to the democratic procedure laid down by Islam.

To eliminate concentration of holdings in land and promote social good by bringing about a more efficient organisation of agricultural production the State has the power to fix a ceiling on landed property. Such a measure would be justified in most parts of the world of Islam today in view of the large feudal holdings which have been the result of departure from Islamic policies by the Muslim States in the past, as also of some other accident of history.

The Islamic State is fully entitled to undertake productive enterprise. We have precedents of State managed agricultural farms from the *Rashidun* period of Islamic history (which cannot produce similar precedents of State owned industrial units for the simple reason that there were non in those day). In any case there is nothing against doing so. The State may also exclude private enterprise from certain crucial industries or nationalise an industry hitherto in the private sector if it becomes necessary for the effective discharge of its functions relating to defence, economic development and social justice. Recourse to such steps is to be taken according to the democratic procedure only when necessitated by the social interest, and doing full justice to those affected by giving adequate compensation.

As emphasised earlier, Islam believes neither in social ownership of all means of production nor in the absolute right to private property and enterprise. Supreme value in Islam does not attach to any particular pattern of ownership and disposal over resources. Islam attaches the highest value to enabling men to lead a life free from poverty and privation, fear and subjugation, ignominy and frustration; a life in which the individual is liberated from all earthly pressures and temptations, and his conscience feels no obligation towards any authority other than the law of Allah, so that man bows to Him and to Him alone a life in which men's material needs are well provided for enabling him to rise and grow, morally and spiritually, and providing him with opportunities for serving his own self, his family, the society and the entire humanity. In the great task of creating such conditions values of a secondary status have sometimes to be partially overruled by those of a higher order. But in no case should that balance and harmony be destroyed that characterises the Islamic way of life. The question of a total sacrifice of liberty for the sake of economic security and progress, or the neglect of the common man's economic well being in the name of political freedom, therefore does not arise. Simultaneous realisation of these values does, however, involve some adjustments and partial sacrifices, in so far as the absolute claims of any one of the several ends are concerned. A search for internal harmony and balance shall always be the guiding spirit of a modern Islamic State planning for economic development.

Islam, Capitalism and Socialism

This brief discussion on Islam's economic system reveals its unique nature. This system has distinct identity and is a manifestation of Islam's worldview. Any resemblance with capitalism, Socialism or any other systems that might be discovered would at best be partial and superficial. In reality Capitalism and Socialism are not complete systems, nór are they entirely different in nature. Private property and freedom of enterprise from the core of Capitalism, but the system lacks

a positive and unequivocal approach to the role of State in economic life. With the passage of time, however, absolute individualism yielded to social consideration and a number of compromises were made in practice. Socialism centred round the social ownership of the means of production and the all-pervasive role of the State in economic life. It had no clear policy on the individual rights and the economic relations between the members of society. History perforce led it on to a pragmatic approach to many issues including private ownership, the profit motive and competition. It would, however, be naïve to visualise that pragmatism will change the basic nature of these systems and effect a synthesis that is internally coherent and therefore close to the balanced Islamic approach.

The right conduct of the mundane affairs, the correct attitude towards other men, and the proper use of the natural resources inevitably demands the correct worldview on the part of man. A lopsided worldview is bound to result in improper conduct, create wrong attitudes, and cause mishandling of what nature has given to mankind. Both Socialism and Capitalism suffer from the same misconceptions so far as their outlook on life is concerned. Both are devoid of any conception of the life after death, and of God and His guidance to man. In both material values are supreme. To their wrong and deficient world view can be traced the various ills from which they suffer, historically as well as conceptually, *e.g.* class strife or predatory competition, one party dictatorship or big business monopoly of political and economic power.

Man cannot disengage himself from the mire of materialism until he is conscious of a higher meaning in life giving it a purpose. That comes from the belief in the life Hereafter and faith in a God who guides, takes account of every one's life and gives adequate recompense. Discrimination on the basis of race, colour, language, class, caste, creed or sex can be removed only by a code of conduct deriving its sanction from God who is above all men yet equally kind to them all. A sense of belonging to the same family and of being the bonds-

men of the One God is the only motive force that can generate egalitarian, co-operative attitudes and eliminate exploitation.

For the faithless humanity swinging between two extremes Islam's economic system is the greatest boon. Rooted deep into the conscience and not relying for its implementation on the force of the law alone, it has the added virtue of being part of a complete code of life, so that it can play a truly integrative role in man's life. Being God-given it should be acceptable to all, especially as it is not partial between nations, classes, and the two sexes.